

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SIMPLIFICATION, LLC,)	
)	
Plaintiff,)	
)	C.A. No. 03-355-JJF
v.)	C.A. No. 04-114-JJF
)	CONSOLIDATED
BLOCK FINANCIAL CORP.,)	
and H & R BLOCK DIGITAL)	
TAX SOLUTIONS, INC.,)	
)	
Defendants.)	

Thursday, June 5, 2008
2:47 p.m.
Courtroom 4B

844 King Street
Wilmington, Delaware

BEFORE: THE HONORABLE JOSEPH J. FARNAN, JR.
United States District Court Judge

APPEARANCES:

MORRIS, NICHOLS, ARSHT & TUNNELL
BY: MARY B. GRAHAM, ESQ.
BY: JULIE HEANEY, ESQ.

-and-

VENABLE, LLP
BY: PETER J. CURTIN, ESQ.
BY: DAVID FARNUM, ESQ.
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Counsel for the Plaintiff

1 APPEARANCES CONTINUED:

2
3 YOUNG, CONAWAY, STARGATT & TAYLOR, LLP
4 BY: KAREN L. PASCALE, ESQ.

5 -and-

6 STANDLEY LAW GROUP, LLP
7 BY: JEFFREY S. STANDLEY, ESQ.
8 BY: MARK R. ENGLE, ESQ.

9 Counsel for the Defendants
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1 THE COURT: All right. Be seated,
2 please. Good afternoon.

3 MS. HEANEY: Good afternoon, Your
4 Honor. Julie Heaney for plaintiff,
5 Simplification. I would like to reintroduce to
6 you Peter Curtin of the Venable firm, and his
7 colleagues sitting at the table, Michelle Marcus
8 and David Farnum.

9 THE COURT: Good afternoon.

10 MS. HEANEY: And Meaghan Kent and
11 Mary Graham from our office is here.

12 THE COURT: Good afternoon.

13 MS. PASCALE: Good afternoon, Your
14 Honor. Karen Pascale from Young, Conaway for
15 the defendants, Block Financial Corporation and
16 H & R Block Digital Tax Solutions. And I would
17 like to introduce from the Standley Law Firm,
18 Jeff Standley and Mark Engle.

19 THE COURT: Good afternoon.

20 MR. STANDLEY: Good afternoon,
21 Your Honor.

22 THE COURT: Good afternoon to you.

23 All right. Ready to proceed.

24 MR. CURTIN: Very well, Your

1 Honor.

2 Good afternoon, Your Honor. My
3 name is Pete Curtin from Venable and I'm here on
4 behalf of Simplification, the plaintiff in this
5 case. If it is appropriate, Your Honor, I would
6 like to hand up a copy of the slides I'll be
7 showing here today. I have one for opposing
8 counsel as well.

9 THE COURT: Sure.

10 MR. CURTIN: Your Honor, there are
11 two patents at issue here in this case, and
12 their full names and their numbers are set forth
13 in the briefs in detail, but we call -- the
14 first patent is called the '052 patent.

15 And the '052 patent discloses and
16 claims a method and apparatus and a computer
17 readable medium for something called automatic
18 tax reporting.

19 The second patent is the '787
20 patent, and that's a continuation of the first,
21 it has an identical specification amount and the
22 '787 patent discloses and claims a method and
23 apparatus and a computer readable medium for
24 collecting tax data.

1 Like all patent cases, Your Honor,
2 this case began with an idea and it was an idea
3 that a lone inventor had back in 1996. That
4 gentleman's name is David Miller and he's a tax
5 attorney himself. And Mr. Miller was doing his
6 taxes in 1996 using a commercially available tax
7 preparation software when he had an idea. And
8 the crux of this idea, Your Honor, was the
9 realization that a substantial amount of the tax
10 data you need to determine your tax liability
11 existed electronically. So in that case, why
12 should he have to enter it all in manually.

13 His concept was why not reach out
14 electronically to the tax data provider, connect
15 electronically with that tax data provider, and
16 retrieve tax data to the extent you could from
17 that tax data provider electronically so that
18 that tax data could be processed and used to
19 help prepare an electronic tax return that then
20 may or may not be filed electronically.

21 Mr. Miller thought about that idea
22 for a while, investigated, felt it had some
23 merit, as far as he could ascertain, no one else
24 was doing it in 1997.

1 Mr. Miller filed the original
2 patent application in this case, and then he
3 later founded Simplification LLC which is his
4 own company, a one-man shop. And here we are
5 today.

6 Because the initial patent
7 application was filed back in 1997, and that's
8 eleven years ago, but that is a lifetime ago in
9 the context of computers, technology and the
10 speed with which that advances, because back in
11 1997, no one was out there with a product
12 practicing this claimed invention. Today, there
13 are a number of people who do.

14 Now, there are thirteen terms that
15 are in dispute, Your Honor, across the claims of
16 the two patents. But in -- I understand that
17 the patents have already briefed these issues
18 extensively and we have limited time before the
19 Court today, so we're going to leave a lot of
20 the minor issues, Simplification is going to
21 leave a lot of the minor issues to the papers,
22 although we're happy to take any questions the
23 Court may have.

24 My presentation is going to focus

1 on four major disputes between the parties, four
2 core issues that if the Court resolves those
3 four issues, it takes care of -- it takes care
4 of most of the claim construction.

5 The first dispute, Your Honor, is
6 the dispute over the meaning of the term
7 automatic tax reporting. And particularly, the
8 automatic piece of that.

9 That term is contained in the
10 preamble of all the claims of the '052 patent.
11 And Block's proposed construction of automatic
12 essentially would change that term to mean fully
13 automated. And Simplification's response is no,
14 those terms have different plain meanings,
15 they're different and that is not what was
16 claimed in the patent.

17 The second major dispute, Your
18 Honor, deals with the meaning of the term
19 electronically, which is contained in all the
20 claims of both patents. Block's proposed
21 construction which essentially defines
22 electronically to mean automatically, and to do
23 that, they rely on excerpts of arguments taken
24 from a hearing in the reexamination before the

1 patent office. And those arguments are taken
2 out of context, Your Honor, because
3 Simplification's arguments regarding
4 electronically were all made in the context of
5 two claims in one of the patents. In fact, two
6 limitations in Claims 1 and 10 of the '787
7 patent and Block argues that that definition
8 should be imported across all of the claims in
9 both patents and that's inappropriate.

10 Simplification says no,
11 electronically means electronically, automatic
12 means automatic and you shouldn't have a
13 construction of electronic that renders
14 automatic superfluous.

15 The third core dispute has to do
16 with the construction of the means plus function
17 limitations because a number of the claims in
18 both patents are within this means plus function
19 format. I'm sure as the Court is aware to
20 conclude a means plus function first you have to
21 identify the function involved and then you have
22 to identify the corresponding structure in the
23 specification that performs that function.

24 Now, Block's argument, Your Honor,

1 is that the Court cannot construe those claim
2 terms because the specification does not
3 disclose enough structure to support those claim
4 limitations. And of course the upshot of that
5 argument, Your Honor, is the patents would then
6 be invalid or the patent claims would be
7 invalid. Simplification says no, the
8 specification discloses more than enough
9 structure under the law to support those claim
10 limitations and Block cannot meet its clear and
11 convincing burden of proof to show otherwise.

12 The fourth major dispute, Your
13 Honor, focuses on the definition of electronic
14 tax return which appears in the claims of the
15 '052 patent. And that really centers on what
16 exactly Block means by including the word
17 completed in its proposed construction.

18 So those are the four major issues
19 my presentation is going to deal with today.
20 And I'm going to address the first two issues,
21 the construction of automatic tax reporting and
22 electronically at the same time because as the
23 Court will see, the arguments and issues
24 overlap.

1 With that, we'll move to the
2 slides.

3 There are four global problems,
4 Your Honor, with Block's proposed claim
5 constructions of automatic tax reporting and
6 electronically. The first problem, Your Honor,
7 is that their definition of automatic reads the
8 term comprising out of the claims.

9 As the Court is aware, comprising
10 is a standard term of art in the patent world as
11 a transitional term between the preamble and the
12 body of the claim. All of these claims are
13 written with the term comprising in it, but
14 Block's construction of fully automated would
15 eliminate comprising, it would render it a
16 nullity. And they never adequately acknowledge
17 and address that problem.

18 The second global problem with
19 Block's proposed construction is that they
20 ignore the difference between fully automated
21 and automatic. Those claims have different
22 claim meaning both to individuals in ordinary
23 life. They have different meanings to a person
24 of ordinary skill in the art and as you'll see,

1 they have different meanings to the Federal
2 Circuit.

3 The third problem is the Block
4 misuses the record of oral argument before the
5 Board of Patent Appeals. For its construction
6 of automatic and electronically, Your Honor,
7 that is Block's case. It takes that transcript
8 which was a thirty-five-page transcript, roughly
9 forty-five minutes of oral argument where
10 Simplification's counsel is sitting across the
11 table from three administrative patent judges
12 being peppered with questions, comes from three
13 years of examination.

14 As I highlighted in the
15 introduction, they take some of those statements
16 out of context. And it turns out, Your Honor,
17 that transcript read as a whole in light of the
18 whole record as it must be is a slender read and
19 it cannot bear the weight that Block gives it.

20 The fourth and final global
21 problem of Block's construction is that they
22 radically depart from the plain meaning of the
23 terms. Automatic is not fully automated.
24 Electronically is not automatic. And that

1 departure, Your Honor, is unjustified because
2 there is not record support to overcome,
3 sufficient to overcome the heavy presumption in
4 favor of plain meaning.

5 Next slide, please.

6 To comprising point, Your Honor,
7 first. All of the claims of the patents include
8 the word comprising. And comprising has a clear
9 and well-established legal effect. It means
10 essentially including but not limited to. In
11 other words, at least the following limitations
12 must be performed, but there are perhaps more,
13 other limitations are also possible. And the
14 presence of other steps don't take the process
15 outside the scope of the claim.

16 The use of comprising in the
17 preamble of these claims after automatic tax
18 return -- or automatic tax reporting, pardon me,
19 expressly allows for additional intervening
20 steps that are not recited and we see the
21 Georgia-Pacific case for that and others in our
22 briefs.

23 Of course, then, as I said, this
24 allows for additional steps which even if --

1 even though all of the recited steps, and there
2 may be a misunderstanding between Block and
3 Simplification here, Your Honor, because as we
4 have said in our briefs and as Dr. Sartori said
5 to the patent office, if you recited steps in
6 the claims of the '052 patent with automatic in
7 them, it must be performed automatically. We
8 acknowledge that.

9 But the presence of the word
10 comprising means there can be other steps which
11 may or may not be automatic. It allows for the
12 presence of some manual data entry. It allows
13 you to circle back around in the process, get
14 one piece of tax data, your W-2 data, for
15 example, from the IRS and maybe you have to go
16 contact the bank to get a 1099 form for
17 dividends or your mortgage broker to get your
18 1098, you can go back and circle around and pull
19 that information down and that's all within the
20 steps of the process.

21 And also if there is in the course
22 of that some manual data entry, perhaps for
23 example your mortgage broker or your charities
24 aren't tied up to that program, they don't make

1 it available electronically for downloading, you
2 do some manual data entry, the presence of those
3 manual steps along with the electronic and
4 automatically performed steps do not by them --
5 do not take that process outside the scope of
6 the claims. And that's because of the presence
7 of the word comprising.

8 The Federal Circuit recognizes
9 this issue, Your Honor, in a case, and they
10 discuss this in a case that Simplification
11 actually cited to the Board of Patent Appeals at
12 the hearing that we're talking about. Here is a
13 quote from that case, this is CollegeNet versus
14 ApplyYourself, Inc. While Claim 1 does not
15 expressly provide for human intervention, the
16 use of comprising suggests that additional
17 unrecited elements are not excluded. Such
18 elements could include human actions to
19 expressly initiate the automatic storing or
20 inserting or to interrupt some functions.

21 I'll leave the detailed analysis
22 of that case to our briefs, Your Honor, but it's
23 important to note that the Federal Circuit in
24 CollegeNet rejected a proposed claim

1 construction for automatically that was put
2 forward by the defendant. It's very similar to
3 Block's proposed fully automated construction in
4 that it would have precluded any manual
5 intervention at any point in the process.

6 And the Federal Circuit said no,
7 that is not the plain meaning of automatic and
8 also these are comprising claims.

9 At the oral hearing,
10 Simplification's counsel also explained the
11 effect of comprising to the patent judges.
12 Judge Moore said, "So you read these claims as
13 excluding all manual data entries?"

14 Mr. Sartori responds, "No, it
15 doesn't for the fact that it is comprising, so
16 it's open-ended. So you could perhaps enter
17 other information automatically."

18 And I have an SIC there, Your
19 Honor, because as can happen sometimes in oral
20 argument because he must have misspoken because
21 that sentence only makes sense if instead of
22 automatically it is manually. You can see that
23 even more clearly when you consider what he said
24 next. Next slide. When he goes on to further

1 explain.

2 For example, let's say you gave
3 some donations to Purple Heart last year in
4 2006. And Purple Heart, you know, isn't set up
5 to do this electronic transmission. You would
6 need to type up and enter your donations to go
7 on your scheduled itemized deductions. That
8 would be within the software, within the scope
9 of the claim because it's comprising, but that
10 would not actually meet the elements of the
11 claims.

12 So Simplification's counsel
13 highlighted here exactly the point that I made
14 to the Court, that manual entry of Purple Heart
15 charitable contribution by itself doesn't meet
16 the scope of the claims, it wouldn't, for
17 example, infringe by itself but the presence of
18 that manual entry doesn't take that tax return,
19 that process outside the scope of the claims.

20 Next slide, please.

21 Moving on to the second point,
22 Your Honor, Block's proposed constructions
23 ignore the difference between fully automated
24 and automatic. First, of course, there is the

1 core point that the language of the claims
2 define the invention. And these claims recite
3 automatic tax reporting, not fully automated tax
4 reporting.

5 Now, it's certainly true as
6 Mr. Stanley is going to point out to you that
7 the term fully automated appears in the patent,
8 it appears in the title, it appears in the
9 background section. It's mentioned a few times.
10 But the claims state automatic and that we
11 submit that is a conscious choice because fully
12 automated is not automatic, unless they have
13 different plain meanings.

14 That is underscored by how Block
15 chooses to distinguish the terms and also
16 underscored by examples from real life.
17 Automatic teller machines. Automatic
18 dishwasher. An autopilot on airplane. All of
19 those are examples of devices and processes
20 where there is manual intervention both to
21 initiate it and throughout, it can respond with
22 prompts, you can interrupt the process.

23 When you're dealing with your
24 automatic teller machine, you're entering your

1 password, you're responding to prompts, what do
2 I want, here, there, give me my balance, give me
3 my checking, give me my money. So you're
4 manually intervening throughout, but at the same
5 time everyone understands that is still an
6 automatic machine, a processing going on there
7 automatic even though it is not fully automated.

8 And the dishwasher analogy, Your
9 Honor, that is contained in the briefs, and I'll
10 shorten that up for you to make a very basic
11 point, that if you have a method claim for a
12 method of automatically cleaning dishes after a
13 dinner party, comprising, and you have to use
14 the automatic dishwasher, you put in the dishes
15 you wash them, et cetera, if you wash the dishes
16 in an automatic dishwasher and you put those
17 dishes in the sink but you have some wine
18 glasses, they're fragile, you don't put them in
19 the automatic dishwasher, you wash those in the
20 sink by hand and put them away.

21 You may have a frying pan that's
22 crusted all over and you need to leave that soak
23 overnight. The fact that you wash the frying
24 pan and the wine glasses by hand does not mean

1 that you did not clean the other dishes
2 automatically. And the presence of that manual
3 washing of the wine glasses does not remove your
4 clean up process from the scope of the
5 comprising claim. That's a core point.

6 The next slide, please. The
7 Federal Circuit agrees, Your Honor, and they
8 have interpreted automatically to mean, "Once
9 initiated, the function is performed by a man,
10 without the need for manually performing the
11 function."

12 And as you'll see, Your Honor,
13 that parallel, that's almost exactly the
14 proposed construction of automatic
15 Simplification is offering in this case. And,
16 again, that is the CollegeNet case which was
17 cited to the board.

18 Next slide, please. The third
19 point, Your Honor, that is the board transcript
20 does not truly support Block's position.
21 Block's arguments for automatic tax reporting
22 and for electronically ignore what I'll call the
23 inherent imprecision of oral argument. By that
24 I mean, Your Honor not that any word is

1 necessarily imprecise, but it's a process.

2 People when you're speaking to
3 each other, the judge and the counsel, there may
4 be a question and answer, you're trying to
5 understand each other. When someone is talking,
6 you don't necessarily recite the full preamble
7 in all the context of your statement the way you
8 might do if you're an attorney crafting your
9 brief, it's just a different process and
10 sometimes in the course of oral argument people
11 can get a little lost, get a little confused and
12 it's hard to gauge the tenor of an oral record
13 by the polled record, that's why it's important
14 to read statements taken from an oral argument
15 in context, in the context of the full hearing
16 and to read that full hearing transcript in the
17 context of the record as a whole.

18 And Block's cites in support of
19 their position, Your Honor, are either taken out
20 of context with regarding to electronically or
21 clarified or countered elsewhere in the
22 transcript.

23 The next side, please. The first
24 point, Your Honor, is that every passage Block

1 cites about electronically refers to Claims 1
2 and 10 of the '787 patent, and in particular it
3 refers to two limitations of those claims,
4 connecting electronically and collecting
5 electronically.

6 In those statements Simplification
7 wasn't purporting to define electronically by
8 itself and that's clear from a reading of the
9 transcript as a whole. And even in its
10 briefing, Your Honor, Block admits this context.

11 Often in their brief they'll put
12 in the brackets referring to Claims 1 and 10 of
13 the '787 patent and sometimes it's expressed in
14 the statements and yet they ignore that context.

15 I'm going to give you a couple of
16 examples here now and I'm sure Mr. Stanley is
17 going to show you a number of other cites from
18 the transcript in his presentation.

19 Let's look at this one which comes
20 from page 29 of the oral hearing and Block
21 highlights this passage so much, they cited it
22 two or three times in their brief. Here is part
23 of it, in the '787 we have two independent
24 Claims 1 and 10 which do not recite automatic.

1 We're focusing on Claims 1 and 10. And there
2 are two reasons that I said previously that the
3 Beamer article does not teach it, those claims.
4 One is they're connecting electronically. And
5 yes, we are saying electronically means that
6 there's no manual input. You have to -- we're
7 saying you need to read it in light of the
8 specification.

9 Here is specific reference to the
10 connecting electronically limitation in 1 and 10
11 of the '787 patent. Next slide, please.

12 Then going on on that page, Judge
13 Lee says, Yeah, but why does that exclude any
14 kind of manual input? I mean that's the crux of
15 the issue. Yes, for Claims 1 and 10 of the '787
16 patent. Because, Your Honor, that was the
17 issue, these are the only two claims in the
18 patent that did not -- in the two patents that
19 did not have the word automatic in them. The
20 only two independent claims.

21 And the issue that Simplification
22 was going back and forth with the patent judges
23 on were okay, we understand what you're saying
24 about automatic, but in the absence of

1 automatic, how do these claims survive the prior
2 art? And Simplification's response was that the
3 connecting electronically and the collecting
4 electronically steps must be performed
5 automatically. It says you just say it does,
6 but I don't get it. In the context of the step
7 which refers to that recitation of collecting
8 electronically refers to step 12 of the patent.
9 Again, Claims 1 and 10 of the '787 patent,
10 collecting electronically.

11 Next slide.

12 Now, Block argues that there is
13 no -- in its briefs that there is no reason to
14 limit the scope of these statements to Claims 1
15 and 10 of the '787 patent, but as I think I've
16 already given you heads up, Your Honor, there
17 are plenty of good reasons to do so. These are
18 the only independent claims that do not include
19 the term automatic, therefore, the focus of the
20 discussion was how Claims 1 and 10 survived the
21 prior art in the absence of automatic.

22 They do not represent, therefore,
23 a clear and unambiguous disavowal of the plain
24 meaning of the term electronically itself which

1 is what is required in the law to move beyond
2 the plain meaning based on the prosecution
3 history. And it certainly doesn't represent a
4 clear and unambiguous disavowal of the plain
5 meaning of electronically throughout all the
6 claims of both patents.

7 Next slide, please.

8 Moving on to the automatic issue,
9 Your Honor, for automatic tax reporting.
10 Block's -- the passages Block cites about
11 automatic are clarified or countered by other
12 passages in that same hearing record showing
13 that automatic is given its plain meaning.

14 Here is a quote from page 14 of
15 that transcript. And automatic is not defined
16 anywhere in the specification, so it must be
17 given its ordinary meaning per the Phillips
18 case.

19 Next slide, please.

20 It's also useful to understand,
21 Your Honor, and you can see this from the
22 transcript early on from that hearing,
23 Simplification submitted about eight dictionary
24 definitions of automatic and those dictionary

1 definitions are all basically consistent and we
2 presented a number of them in our briefs in
3 support of our proposed claim construction, but
4 the very fact that Simplification submitted
5 eight dictionary definitions shows that they
6 weren't trying to present any one special or
7 unusual definition of automatic, they were just
8 trying to show what the plain meaning of the
9 term is.

10 And Simplification also cited
11 CollegeNet's definition of automatically as
12 well. And we have discussed already, one
13 initiated the function is performed by a machine
14 without the need for the function to be
15 performed manually. You see, that definition
16 and the dictionary definitions and
17 Simplification's proposed construction ties the
18 automatically, draws the line at the beginning
19 of each function. Once you initiate the
20 function, that step must be performed
21 automatically.

22 Not some kind of -- they don't
23 draw the line anywhere else.

24 Next slide, please.

1 Therefore, Your Honor, there is --
2 the transcript of the record of the board
3 hearing read as a whole shows there is no clear
4 and unambiguous disavowal of the claim scope or
5 of the plain meanings of the claim except as
6 noted, there is no clear and unambiguous
7 disavowal of automatic, there is no clear and
8 unambiguous disavowal of the term electronically
9 by itself and certainly not of the term
10 comprising.

11 And Block, Your Honor, in their
12 briefs, they acknowledge that there are
13 inconsistencies in this transcript as they must.
14 And at footnote six of their opening brief,
15 Block says yes, there are inconsistencies, but
16 it argues that the statements it cites about
17 automatically and electronically nullify the
18 statements about the comprising and the Purple
19 Heart example.

20 Well, Your Honor, that's just not
21 so. First of all, we submit you can minimize
22 the inconsistency by interpreting those passages
23 as Simplification urges by limiting the
24 arguments about electronically to Claims 1 and

1 10 of the '787 patent, two of those claim
2 limitations, and by understanding that by
3 talking about automatic, Simplification meant
4 the plain meaning of automatic, not fully
5 automated.

6 But even if Block's interpretation
7 of those passages is correct, Your Honor, and
8 one set does nullify the other set, then what
9 you have got is a wash, you have an ambiguous
10 transcript that is not helpful for claim
11 interpretation because the law is clear that an
12 ambiguous prosecution history cannot limit the
13 claims, it doesn't provide a basis to depart
14 from the plain meaning of claim language.

15 And for that we rely on the
16 Athletic Alternatives case and the Inverness
17 Medical cited in our briefs.

18 In sum, Your Honor, this board
19 hearing transcript is a prime example of the
20 reason behind the caution the Federal Circuit
21 issued about the use of the prosecution history
22 in the Phillips case. And what the Federal
23 Circuit said sitting on en banc, Because the
24 prosecution history represents an ongoing

1 negotiation between the PTO and the applicant,
2 rather than the final product of the
3 negotiation, which is the specification of the
4 patent itself, it often lacks the clarity of the
5 specification and thus is less useful for claim
6 construction purposes.

7 And here, Your Honor, we're
8 dealing with a situation where at best, the best
9 case scenario for Block is a situation where
10 this hearing transcript in the reexamination
11 history is ambiguous, it's a nullity, it's a
12 wash. Certainly interpreting those passages as
13 Block would have you do, certainly the
14 transcript lacks clarity and therefore provides
15 no basis to depart from the plain meaning of the
16 claims.

17 The fourth key point, Your Honor,
18 is that Block's proposed construction radically
19 departs from the plain meaning of the claim
20 terms. Automatic is not fully automated.
21 Electronically is not automatic. And Block's
22 construction of electronically would render
23 automatic superfluous. And we'll go on to show
24 you why here.

1 Next slide. It's also important
2 to note that Block's proposed constructions
3 ignore the specification of the patents.
4 Block's constructions are inconsistent with the
5 disclosure in the specification which as we'll
6 show you distinguishes between automatic and
7 fully automated in terms of the examples they
8 disclose in the specification, and the treatment
9 of electronically throughout the patent. And as
10 you know, the law is clear that the
11 specification is often regarded as the best
12 guide for claim construction.

13 Next slide. The specification
14 never expressly defines automatic, therefore
15 under the Phillips' case there is a heavy
16 presumption that you employ the plain meaning of
17 the term. However, the specification makes it
18 clear that automatic tax reporting, that
19 preamble term, need not be fully automated.
20 They're not the same things.

21 First of all, Your Honor, the
22 patents acknowledge that not all tax data will
23 be available electronically. We have got cites
24 for that, for those two passages. And what it

1 says there, Your Honor, is it talks about -- it
2 mentions, it says substantially all tax data is
3 available electronically. And it says later on
4 that it's possible to eliminate virtually all
5 copies of intermediate paper copies. There is
6 nothing there that says all the tax data will or
7 must be available electronically.

8 Secondly, Your Honor, and I think
9 even more significantly, the specification
10 expressly notes that the processing and
11 preparing steps can be implemented using current
12 technology, the technology that was available in
13 1997. And, in fact, they cull out a specific
14 example of that commercially available tax
15 software, and the specification it calls out
16 TurboTax as an example of the commercially
17 available tax software that could implement the
18 processing and preparing steps of the invention.

19 And in Block's brief, opening
20 brief, they concede that quote a standard tax
21 program like TurboTax can perform the processing
22 electronically step.

23 Well, let's take a look at that,
24 Your Honor. One thing that is absolutely clear,

1 and this is shown, it's both a matter of public
2 record and a matter of fact, but it's shown from
3 the screen shots from the 1997 version of
4 TurboTax that we attached to your belief, that
5 in 1997 TurboTax was an automatic program, it
6 acted automatically, but it was not fully
7 automated. TurboTax walked users through the
8 preparation process giving them the option of
9 using the easy step process or forms method.
10 I'll show you now if I can figure out how to
11 switch over to the Elmo, I'll try to make this a
12 little more legible for the Court.

13 This is a copy of one of the
14 screen shots that we attached to our brief and
15 I'll try to zoom in so we can read it. This is
16 a screen shot from early in the program where
17 they are describing to the taxpayer how it's
18 going to work. And you see up there, Your
19 Honor, it says easy step interview approach.
20 Easy step interview guides you through your tax
21 return. It asks you questions about your tax
22 situation, enters your data on the proper tax
23 forms, and offers relevant tax advice and
24 suggestions.

1 But here is an important point,
2 Your Honor. It then says your calculations are
3 automatically updated as you add or change data.
4 So you see behind the scenes the computer
5 program is automatically processing that data
6 and automatically working in response to your
7 prompt and responds to your information, but
8 there is intervention to initiate each
9 processing step.

10 Under the forms method approach,
11 Your Honor, again it says basically you're on
12 your own, but it still has the taxpayer move
13 from one form to -- one tax form to the other,
14 entering information in the fields that apply to
15 their tax situation.

16 Again, both of those steps require
17 considerable manual intervention. And I'll try
18 to get better with the Elmo for the next one.

19 So therefore -- next slide, please
20 -- Block's fully automated construction would
21 exclude an example of the preferred embodiment
22 set forth in the specification allowing for the
23 use of 1997 technology similar to TurboTax for
24 processing the said tax data and for preparing

1 electronically the tax return, the processing
2 and preparing steps.

3 And as you know, Your Honor, the
4 law is clear that a claim construction that
5 excludes the preferred embodiment quote is
6 rarely if ever correct and requires highly
7 persuasive evidentiary support. And they cite
8 the Vitronics case for that one.

9 Next slide, please. Moving on to
10 electronically. There is no special meaning
11 given to the term electronically in the patent
12 specification. Therefore, of course, there is a
13 presumption towards plain meaning. And, in
14 fact, the specification taken as a whole makes
15 it clear that electronic and electronically
16 refer to states, states of being.

17 And we spent two pages laying out
18 those quotes in our opening brief and I'm not
19 going to try to do it here for Your Honor, but
20 we believe that is very clear from the
21 specification. And, in fact, Block's proposed
22 construction of electronic link and
23 automatically is consistent with not only with
24 the specification, but with the parties' agreed

1 upon claim constructions of the terms electronic
2 link and electronic intermediary which the
3 parties agree and the construction is made clear
4 are simply electronic devices.

5 Next slide. Simplification's
6 constructions of automatic tax reporting and
7 electronically by contrast comport with the
8 plain meaning of the patents in the prosecution
9 history. They acknowledge the presence of the
10 word comprising in the claims, recognize the
11 choice of the claim language automatic, and
12 they're consistent with the hearing transcript
13 taken as a whole.

14 Next slide. Said specification
15 does not define automatic. The plain meaning of
16 automatic we submit is via a process in which
17 one or more functions once initiated are
18 completed without manual intervention. And the
19 Court will recognize that from the CollegeNet
20 case.

21 Next slide. We also note that the
22 plain meaning construction of automatic matches
23 dictionary definitions which we submitted in our
24 brief and we note that Block so far has

1 submitted none to the contrary, it mirrors the
2 definition in the CollegeNet case which was
3 presented to the patent office. And it gives
4 the term comprising its full effect because it
5 draws the automatic line at each step of the
6 process. Each of the recited steps. Pardon me,
7 let me clarify that. At each of the recited
8 steps once initiated must proceed automatically.
9 It still allows for the presence of other steps
10 which may or may not be automatic.

11 Next slide. Therefore, Your
12 Honor, Simplification's proposed construction of
13 automatic tax reporting is determining and/or
14 reporting tax liability, or satisfying tax
15 reporting obligations via a process in which one
16 or more functions, once initiated, are completed
17 without manual intervention.

18 Next slide. Back to
19 electronically. We submit the plain meaning of
20 electronically is by way of devices, circuits or
21 systems utilizing electronic devices.

22 Next slide. This plain meaning
23 construction of electronically is consistent
24 with the specification in the way it treats

1 electronically. It matches the dictionary
2 definition, again, that we have submitted and it
3 gives all of the claim language its full effect.
4 It does not render automatic in the '052 patent
5 claims superfluous and it's consistent with
6 those agreed upon claim constructions for other
7 terms that I pointed out to you.

8 At this point, Your Honor, we'll
9 move on to the third core dispute between the
10 parties, the construction of the means plus
11 function limitation.

12 Next slide, please. Next slide.
13 To construe a means plus function limitation,
14 Your Honor, the Court must first define the
15 function of that claim limitation, and then
16 identify the corresponding structure in the
17 specification to perform that function.

18 The disputes between the parties
19 over what exact function applies to these
20 different limitations really hinges, Your Honor,
21 on the construction of the term electronically,
22 because all of these means plus function
23 limitations have electronically in them. Means
24 for connecting electronically, connecting

1 electronically, preparing electronically, filing
2 electronically, so you can see the functional
3 issues hinge on the construction of
4 electronically. So we're not going to go back
5 over that, we'll rely on our briefs and to my
6 prior argument.

7 However, the structural issues,
8 that's what we need to focus on, because Block
9 argues that the Court cannot construe the means
10 plus function limitation because there is not
11 sufficient structure disclosed in the
12 specification. And the upshot of that is the
13 patent claims would be invalid.

14 However, these claims are presumed
15 valid under 35 USC, and, therefore, Block has
16 the burden of proof on this issue by clear and
17 convincing evidence if it is arguing to the
18 Court that there is insufficient structure in
19 the patents to support these claim limitations,
20 they must show it by clear and convincing
21 evidence. And that's the Budde versus
22 Harley-Davidson case, Federal Circuit 2001.

23 Next slide, please.

24 Specifically, the means for

1 collecting electronically, I'll skim over this
2 corresponding structure that's identified in our
3 brief. The corresponding structure identified
4 in the specification includes a data processing
5 system with a general purpose computer program
6 with code segments to operate that computer
7 causing it to connect electronically to
8 establish a physical or logical coupling via an
9 electronic link.

10 And the specification also lists
11 examples of electronic links, including a modem,
12 a computer readable medium and an electronic
13 data network.

14 This structure, Your Honor, is
15 sufficient to support the claimed limitation,
16 means for connecting electronically.

17 Next slide. It's also important
18 to recognize, Your Honor, that structures and
19 means for connecting two devices electronically
20 were well-known in 1997. That's something you
21 could almost take judicial notice of. The
22 electronic data networks like the internet,
23 there were modems, there were automatic teller
24 machines that were networked. There is really

1 no dispute, people of ordinary skill in the art
2 understood how to connect devices electronically
3 eleven years ago.

4 And the law is also clear, Your
5 Honor, this is an important point, because a
6 detailed description of structure is unnecessary
7 when the structure to perform the claimed
8 function is well-known in the prior art, or
9 well-known in the art. And that's the S3 versus
10 nVidia case. And I'm going to read the quote
11 actually from that case, Your Honor. The law is
12 clear, the patent document need not include
13 subject matter that is known in the field of the
14 invention and is in the prior art. The patents
15 are written for persons experienced in the field
16 of the invention, told otherwise would require
17 every patent document to include a technical
18 treatise beyond the skilled reader. And that's
19 not the law, Your Honor.

20 Next slide, please. However, to
21 address a point that Block first raised in its
22 opposition brief, Your Honor, Block raises in
23 its opposition brief the idea that the means for
24 connecting electronically and collecting

1 electronically do not satisfy the requirements
2 under the Aristocrat Technologies and the Harris
3 case because it's a computer implemented
4 invention using software and they don't set
5 forth an algorithm.

6 Well, Your Honor, to assess that
7 argument it's critical to understand what an
8 algorithm is. It's not source code. You don't
9 have to write out your whole computer program
10 and put it in a patent. Instead, under the law
11 an algorithm is simply a step wise description
12 of the process you would use to perform that
13 function. And it doesn't have to be every
14 single little step, but it has to be a
15 sufficient description of a step wise process to
16 show a person of ordinary skill in the art how
17 you intend to perform -- it gives structure for
18 how you're supposed to perform the claimed
19 function. That's why, for example, block
20 diagrams with arrows and circles and boxes can
21 be sufficient structure to support a means plus
22 function claim.

23 The means for connecting
24 electronically is supported by sufficient

1 structure, and because it discloses steps for
2 connecting electronically. And I will point
3 Your Honor to those steps in the patent. It
4 begins in column four of the patent and goes
5 down to column five lines 65 and it's a
6 discussion of steps 11 and 12.

7 Step 12, let's get this over to
8 the Elmo here. And this is towards the bottom
9 of column five, Your Honor, discussing step 12,
10 which I believe the parties agree includes both
11 the connecting electronically and collecting
12 electronically parts of the process.

13 In step 12, the electronic
14 intermediary electronically collects tax data
15 from the tax data providers using electronic
16 links. And it goes on to describe how that
17 happens.

18 At the bottom of the paragraph it
19 says Figure 2 is illustrative and the electronic
20 intermediary 21 can connect electronically with
21 and collect tax data electronically from, see
22 both step connecting and collecting, from other
23 tax data providers as discussed above in step
24 11.

1 So let's see what they say about
2 that in step 11. It refers back, and by doing
3 this, Your Honor, it specifically refers to and
4 identifies the process of step 11 as being a
5 piece of the algorithm you use to accomplish
6 step 12, connecting and collecting
7 electronically.

8 And, Your Honor, starting -- let
9 me go a little higher up. In step 11 this is
10 from column four of the patent, in step 11 the
11 taxpayer 20 provides the electronic intermediary
12 21 with information on tax data providers.

13 Going down the column a bit. The
14 information provided by the taxpayer to the
15 electronic intermediary may include
16 identification, that's personal identifying
17 information such as a Social Security number.

18 Also alternatively, the taxpayer
19 could specifically identify the tax data
20 providers and could include information on how
21 to contact tax data providers electronically.

22 Additionally, the taxpayer can
23 provide the electronic intermediary with
24 authorization to contact and receive information

1 from the tax data providers. That's the link to
2 step 12 there, connecting and collecting.

3 In sum, Your Honor, let's look and
4 see what's been disclosed here. The taxpayer
5 provides identifying information to the
6 electronic intermediary, and that can be an
7 identifying information about themselves,
8 identification of the tax data providers,
9 account numbers, et cetera.

10 The electronic intermediary takes
11 that information, reaches out and contacts the
12 tax data provider and connects with the tax data
13 provider. And those, Your Honor, are steps, the
14 steps disclosed in the patent, the algorithm for
15 performing the connecting electronically step,
16 and that provides under the law and under the
17 standards of Aristocrat and Harris, the
18 algorithm that's required, the structure that's
19 required to support the means plus function
20 limitation.

21 And that's particularly true
22 because you have to consider that in the context
23 of all the physical structures disclosed and the
24 fact that this was well-known in the art how to

1 do these things.

2 Means for collecting
3 electronically. Again, Your Honor, we have a
4 similar structure here, data processing system,
5 general purpose computer, program of code
6 segments, causing it to gather tax data by an
7 electronic link. We're back up at step 12, and
8 the specification lists examples of electronic
9 links including a modem, a computer readable
10 medium and an electronic data network.

11 Next slide. And that, Your Honor,
12 is sufficient structure to support the means for
13 collecting electronically limitation of the
14 patents. Particularly when you consider that
15 structures and means for collecting data
16 electronically were well-known in 1997, and an
17 example that resonates in the legal community,
18 Your Honor, is Westlaw and Lexis, these are data
19 services that were available back in 1997, and
20 you reach out from your computer, your
21 electronic intermediary to a main server, you
22 look for data, you connect with them, you look
23 for data, you grab data and download cases and
24 retrieve them back. This gives a legal point

1 that a detail description of structure is not
2 necessary when the structure to perform that
3 function is well-known in the art.

4 Next slide. Similarly, Your
5 Honor, as noted before and given a very similar
6 to what I have shown you already on the Elmo
7 with columns four and five of the patent, the
8 specification discloses steps for collecting
9 electronically. And that provides in any
10 algorithm that Block requires be required under
11 Aristocrat and Harris.

12 In this case, for this step it's
13 the taxpayer provides identifying information as
14 I have discussed, the electronic intermediary
15 contacts and connects with the tax data
16 provider, the electronic intermediary collects
17 tax data from the tax data provider and pulls it
18 back. That's the step wise process, a step wise
19 description of a process used to perform the
20 claimed function. And that tells a person of
21 skill in the art what they're supposed to do.
22 That provides the structure required to support
23 this claim limitation.

24 Next slide, please. Moving on to

1 means for processing electronically. Again, we
2 have got the corresponding structure identified
3 there, data processing system with a computer
4 program with code segments causing it to perform
5 such systematic operations to do the processing.

6 Importantly here, Your Honor, the
7 patent specifically discloses that the
8 processing step could be performed by 1997 tax
9 preparation software similar to TurboTax. We
10 have got a cite for that.

11 So the specification has culled
12 out not only that commercially available
13 products can do this processing, but it's
14 identified one, TurboTax.

15 Next slide. This is significant,
16 Your Honor, because a specific reference to a
17 commercially available product as an example of
18 corresponding structure is sufficient to
19 overcome a claim of indefiniteness. And that's
20 black letter law. And we cite Budde versus
21 Harley-Davidson for that, which in that case
22 Your Honor, one of the means plus function
23 limitations involved was a sensing means. It
24 was a case involving fuel injectors for

1 motorcycle engines. And it was a sensing means.

2 And the patent specification
3 referred to as commercially available vacuum
4 sensor. They said that's fine, because that
5 tells a person of ordinary skill in the art what
6 you use to perform that function.

7 Here this patent is identified
8 commercially available tax preparation software
9 similar to TurboTax, so one of skill in the art
10 knows what to look for.

11 And also the Radio Systems case,
12 Your Honor, in which the specification noted
13 that circuitry for starting and stopping signals
14 was commercially available. And that was
15 sufficient disclosure to support a means plus
16 function limitation for that.

17 Moving on to preparing
18 electronically, Your Honor, means for preparing
19 electronically, the argument there is
20 essentially the same. You have a data
21 processing system with a computer and code
22 segments to operate it which prepares an
23 electronic tax return. But again, the patent
24 discloses the preparing step could be performed

1 by 1997 tax preparation software similar to
2 TurboTax. And again, we point to the Budde case
3 and the Radio Systems case. That specific
4 reference to commercially available products
5 defeats Block's argument that there is
6 insufficient structure to support that step.

7 The last means plus function
8 limitation, same slide, is means for filing
9 electronically. There, Your Honor, we have
10 corresponding structure of course being the
11 general purpose computer program with code
12 segments to operate it causing it to submit an
13 electronic tax return to a taxing authority
14 through an electronic link.

15 We have talked about examples of
16 the electronic link. And here the patent also
17 discloses, Your Honor, that electronic filing
18 with the IRS was available in 1997. And also
19 I'll point out it also identifies commercially
20 available tax preparation software such as
21 TurboTax which could, in fact, perform the type
22 of E-filing.

23 The next slide. Your Honor, the
24 specific reference, and we'll go back to the

1 Budde case and Radio Systems case and say look,
2 the specific reference to the fact the IRS
3 E-filing tax system was available on the market,
4 because it wasn't commercially available because
5 the IRS wasn't charging people, people weren't
6 buying it, but they were using it and it was out
7 there. And the patent points to it as an
8 example of how E-filing was done. And that is
9 sufficient structure to defeat a claim of
10 indefiniteness because it tells a person of
11 ordinary art what structure gets the job done.

12 Next slide please. The next and
13 final major contention between the parties, Your
14 Honor, is the electronic tax return. Next
15 slide.

16 Simplification's proposed
17 construction of electronic tax return, Your
18 Honor, is a statement of tax liability or tax
19 related information in a form prescribed by a
20 taxing authority in an electronic format.

21 Block's proposed construction is a
22 completed computerized tax return ready for
23 submission to a governmental taxing agency.

24 There are a couple of issues with

1 that, Your Honor. First of all, it is not clear
2 to us exactly what Blocks means by a computer,
3 secondly when they say completed, that raises a
4 lot of questions, Your Honor. What do they mean
5 by completed? Do they mean it has to be signed?
6 Do they mean it needs an electronic signature?
7 Do they need mean there can be no manual
8 intervention at the point of filing because that
9 is certainly what their proposed constructions
10 of preparing and filing electronically suggest.
11 And those are dealt with in the briefs. But if
12 that's the issue, if that's what Block means by
13 completed, then Block is wrong.

14 Next slide. An electronic tax
15 return because the specification expressly notes
16 that you could prepare an electronic tax return
17 using circa 1997 tax preparation software. And
18 back in 1997, Your Honor, and you can see this
19 in the screen shots that we attached to our
20 brief, commercially available tax preparation
21 software like TurboTax had the capacity to
22 electronically file with the IRS. But when
23 people were E-filing federal tax returns back
24 then, the IRS didn't accept an electronic

1 signature. The taxpayer had to after you hit
2 the button to send your tax return in, Your
3 Honor, taxpayers had to print out an IRS form,
4 8453-0L, you to had fill out that form putting
5 in a control number that you got back from the
6 Internal Revenue Service, you had to sign that
7 form and submit it to the IRS and the IRS did
8 not consider that tax form complete until they
9 received the signed form.

10 So in sum, Simplification says the
11 correct construction of the claim term
12 electronic tax return cannot require preparation
13 or completion beyond what could be done in 1997.

14 Back to the beginning, please. In
15 conclusion, Your Honor, Block's proposed claim
16 constructions must fail for a number of reasons
17 that I have pointed out to you. Particularly,
18 Your Honor, they must fail because the
19 transcript of the hearing before the Board of
20 Patent Appeals simply does not show what Block
21 says it shows.

22 Those passages do not mean what
23 Block says they mean. As I said, they're either
24 taken out of context with regard to

1 electronically or they're countered by others
2 which show that Simplification was just arguing
3 for the plain meaning of automatic, not for
4 fully automated.

5 Secondly, Your Honor, the record
6 as a whole supports Simplification's proposed
7 constructions. By that I mean the hearing
8 transcript read as a whole, the hearing
9 transcript read in light of the re-examination
10 history and the file history and the
11 specification and the plain language of the
12 patent.

13 Third, as regards to a means plus
14 function limitation, there is sufficient
15 structure disclosed in the specification to
16 support those limitations. There are
17 algorithms. There are commercially available
18 products disclosed. And Block cannot meet its
19 clear and convincing burden of proof to show
20 otherwise.

21 And finally, the electronic tax
22 return, that construction cannot require more
23 than what was possible to do in 1997.

24 Thank you very much for your time,

1 Your Honor. At this point I'll reserve my
2 remaining time for any rebuttal.

3 THE COURT: Thank you. We'll have
4 a short recess before we have you present.

5 (A brief recess was taken.)

6 THE COURT: All right. Be seated.
7 Ready to proceed?

8 MR. STANDLEY: Your Honor, my name
9 is Jeff Standley. I'm here on behalf of the
10 defendants today. Along with me, Mark Engle and
11 Karen Pascale. It's our pleasure to be here.

12 Your Honor, we have a slide
13 presentation we would like to present and if it
14 meets with your approval, I would like to give a
15 copy to the Court and to opposing counsel.

16 THE COURT: Yes. Thank you.

17 MR. STANDLEY: It's only thick,
18 Your Honor, because we have -- we put the
19 exhibits in the back. The presentation I assure
20 you is not that long.

21 THE COURT: All right.

22 MR. STANDLEY: All right. Your
23 Honor, we'll begin with our first slide. Your
24 Honor, we thought that it would benefit the

1 Court to understand a little bit about the
2 evolution of tax preparation and how it has come
3 along in past years.

4 Originally tax returns were
5 completed by hand. We're all familiar with
6 this, sitting around the kitchen table filling
7 these things out.

8 Then the process progressed
9 somewhat. And you had tax preparation companies
10 like H & R Block that assisted people with their
11 tax returns using a computer.

12 The next one is, the next
13 progression was tax returns prepared on your
14 home computer. The data was still manually
15 entered with your own fingertips through the
16 keyboard and the computer would perform the
17 calculations and generate a completed return
18 ready for submission to the IRS.

19 The next step in the evolution was
20 tax returns were prepared on a computer at home,
21 data was manually entered, the computer
22 performed the calculations and generated a
23 completed return. Instead of mailing, the tax
24 return was then capable of being transmitted

1 online to the IRS through something known as
2 electronic filing.

3 More recently, we have been able
4 to import data from banks, companies such as
5 that into personal financial software which
6 could be imported into the tax return software
7 to generate a return.

8 And this gets into the so-called
9 Beamer references, which the patent office
10 relied upon in the reexamination to reject the
11 claims of the Simplification patents.

12 I will say that the Beamer
13 references did involve some manual pointing and
14 clicking, so there was some manual work that had
15 to be done with those.

16 The patent itself, Your Honor,
17 refers to increasing levels of automation in tax
18 preparation. At column one it refers to an
19 increasing amount of data necessary to compute
20 income tax liability and that data was
21 increasingly becoming available electronically.

22 In column one, lines 39 to 49, it
23 refers to how tax return preparation had become
24 increasingly automated. Mentioned the TurboTax

1 program which we've heard about today.

2 Also in column one at lines 50 to
3 63, there are a few legal interpretational
4 issues with regard to determining tax liability
5 for most taxpayers. In other words, I think
6 what this is driving at is many taxpayers in the
7 country do not have complex tax returns.

8 Finally, taxing authorities such
9 as the IRS have begun accepting electronic
10 returns and that's also mentioned in column one
11 of the patent.

12 It's very important in the context
13 of this case that we have an appreciation for
14 what was this invention supposed to do. And I
15 think that's highlighted in several places, five
16 or six to be exact, in both patents, each
17 patent. It's highlighted by the description
18 that is fully automated, and right there in
19 column two are a couple of instances out of the
20 patent where it refers to this invention being
21 fully automated, talking about how historically
22 fully automated tax prep was not available.

23 It is also interesting that the
24 title of the patent is fully automated. There

1 is several references to being fully automated.

2 I think what is probably more
3 important is that aside from the manual entry of
4 initiating the software that's described in step
5 11, which we're going to get into in the patent
6 in a few moments, aside from that initiation,
7 the initial step, the patent is silent as to any
8 other manual initiation going on. I think
9 that's another indication, in other words, what
10 isn't said is another indication of the fact
11 that this is a fully automated system.

12 In column three in the summary of
13 the invention, another reference to what the
14 invention is. It's the object and advantages of
15 the present invention are achieved by a method,
16 an apparatus, and an article of manufacture for
17 fully-automated reporting of tax refund.

18 And then here is a figure taken
19 out of the patent, and this is Figure 1, and it
20 just goes through the procedures that are in
21 this patent.

22 Before I get too deep into this,
23 Your Honor, I want to point out that if you take
24 a look at these patents, I know you have, there

1 are two figures. I don't know about you, but I
2 refer to these figures as stick figures. There
3 is no meat on these bones. They're a skeleton.
4 You can see the general idea of what the
5 inventor had in mind, but you don't see any
6 substance there.

7 And this is going to be a
8 continuing problem as we get further into --
9 especially into the means plus function claims.
10 But this is about as detailed as it gets.

11 What troubles Block about this
12 sort of a drawing is that Block above probably
13 all others in the world knows the complexities
14 of what is involved in tax prep and collecting
15 of tax data. And it's an extremely complicated
16 process. And we truly question whether the
17 inventor in this situation grasp that.

18 But anyway, during the initiation
19 procedure, step 11 is the only step that's
20 mentioned in the patent where the user manually
21 inputs information. And just very quickly, what
22 is that information they're manually inputting?
23 This is setup information, Your Honor. This is
24 your name, your address, maybe where you bank.

1 Maybe the name of your employer, where we can
2 get your W-2. Maybe the account number of the
3 bank or something like that where this data
4 could be automatically obtained.

5 And then it goes through the
6 various steps. Step 12, the electronic
7 intermediary is described as data processing
8 system comprising a general purpose computer and
9 a computer program. Electronically collects the
10 tax data from each tax data provider that has
11 tax data pertaining to the taxpayer using the
12 electronic links.

13 It may sound apparent from what
14 we're talking about. What we're highlighting
15 there is there isn't any mention from steps 12
16 down to step 15, there is no mention in this
17 patent of anything being done manually. Once
18 you get the initiation setup started, from there
19 you go out and you collect the data
20 automatically, it's imported automatically.

21 And here is the other stick figure
22 or drawing that's in the patent, and links 32,
23 33, 34, 35, 36 and 37 shown in those drawings
24 are all culled out in the patent as electronic

1 links.

2 There is no detail of how those
3 electronic links are set up. You're just told
4 that they're there. And then you have these
5 blocks out on each end where the person is to
6 get -- excuse me, the electronic intermediary is
7 to get the data.

8 With the electronic collection of
9 tax data in step 12, this is taken right out of
10 the patent, column six, lines 23 to 27, the
11 invention I'm quoting eliminates the current
12 requirement that a taxpayer manually collect the
13 tax data, eliminates the current requirement
14 that a taxpayer manually enter such tax data
15 onto a tax return or into a computer. I think
16 eliminates is a strong word.

17 Step 13. The electronic
18 intermediary processes the tax data obtained
19 electronically from the tax data providers in
20 step 12. The information processed in step 13
21 is obtained in the steps 11 and 12, this is
22 referred to in column six of the patent.

23 And then finally step 14, the
24 electronic intermediary, perhaps the electronic

1 tax returns using the processed tax data from
2 step 13. The reason we highlighted processed
3 tax data is we think it's clear that processed
4 tax data comes from the prior step which is
5 again an automatic fully electronic step.

6 In the first patent, you have the
7 fact that you can file the electronic tax return
8 in step 15, the second patent doesn't include
9 that in the independent claims, the first patent
10 does.

11 Read in light of specification,
12 the invention is a fully automated system. The
13 title of the parent patent recites fully
14 automated. The summary of the invention says
15 the invention is fully automated. None of the
16 embodiments disclose any manual input from step
17 12 on through the process of the patent. And
18 the prosecution history supports a fully
19 automated invention.

20 The patent claims should not be
21 construed one way in order to obtain their
22 allowance and in a different way against accused
23 infringers. And this is a case that I'm sure
24 the Court is very familiar with, the Computer

1 Docking Station versus Dell case.

2 Your Honor, earlier today
3 Mr. Curtin referred to the context of the oral
4 hearing in Washington. And he said that Block
5 had taken things out of context.

6 There are two things about the
7 context that we want the Court to see. The
8 first thing about the context is the entire
9 structure of the patent being fully automated.
10 It's all over this patent saying it's fully
11 automated. In that context we haven't gotten it
12 wrong, we haven't taken it -- but at that board
13 hearing, the context was this, the reexamination
14 authority at the patent office had stricken both
15 patents, both patents were dead, they were gone.

16 The context of that hearing was
17 Simplification was fighting for its life, its
18 patent life. Had the board not seen it
19 Simplification's way, these patents would be
20 dead and invalid and not in existence today.
21 That's the context of that board hearing and
22 that's why we think that board hearing was so
23 crucial.

24 There were some statements made up

1 at the beginning of the board hearing where you
2 see this going on between the inventor, the
3 inventor's attorney and the board, and as you
4 see that negotiation heating up in the
5 transcript, you start to get further toward the
6 end and you see where the inventor made
7 statements that through his attorney that he had
8 to make in order to defeat the prior art and get
9 this thing back into issuance and out of the way
10 of the prior art.

11 So the history of the
12 reexamination on April 8, 2003, Simplification
13 sues Block for patent infringement of the '052
14 patent. On July 11, '03, Block requested
15 reexamination of the '052 patent. In October of
16 '03, the reexamination was granted on the '052
17 patent. And then in February of 2004, the
18 continuation patent, that is the also the
19 subject of this case, it issued at the patent
20 office.

21 On February 24, 2004,
22 Simplification sues Block on that continuation
23 '787 patent. On March 15, 2004, Block requests
24 a reexamination of the '787 patent. And in June

1 of 2004, the reexamination was granted, the
2 request was granted on the '787 patent.

3 In June of '05, the examiner
4 issues a final rejection for all asserted claims
5 of the '052 patent. So the reexamination had
6 wound its way through, it took some time, final
7 rejection was issued.

8 In January of '06, the examiner
9 issued a final rejection of all asserted claims
10 of the continuation patent.

11 And the primary basis for the
12 prior art rejections was the Beamer reference,
13 which you'll hear more about here momentarily.

14 So in the Beamer reference, which
15 by the way, Your Honor, predated the application
16 by Simplification of some ten years, we've
17 highlighted a section there out of the Beamer
18 reference and I quote, one day in the not too
19 distant future, Jan and Jim Smithwick will have
20 their employers transmit their salaries
21 electronically directly into their personal bank
22 accounts. They will be able to download their
23 bank records into their personal financial
24 software. That program can -- it says lien -- I

1 think it meant then pass the information to a
2 tax preparation program. Jan and Jim will then
3 send the electronic version of their tax return
4 to their accountant via modem and the accountant
5 can electronically file the tax return with the
6 IRS. All of this will be accomplished without
7 the Smithwick's having to re-enter any data,
8 without the use of a pocket calculator and
9 without the necessity of any paper.

10 I think what's important here is
11 this is ten year before Simplification's patent
12 filing. And even when Simplification comes out
13 with their filing ten years later, there is no
14 meat on those bones. You still have just the
15 skeleton figures, the Figure 1 and 2, not much
16 more than you see right here in this Beamer
17 reference.

18 Also in the Beamer reference, I
19 quote, MoneyLine allows you to communicate
20 directly with your bank's computer system. Many
21 transactions can be directly fed by the bank's
22 computer into Dollar & Sense accounts, capital
23 D, capital S. This reduces the drudgery of
24 retyping data, increases accuracy and gives

1 convenient access to bank information at any
2 time, not just when the statement arrives. This
3 is a powerful example of how easily information
4 can be transferred between dissimilar computers,
5 let alone dissimilar programs.

6 So with that background, the
7 examiner in the reexamination proceeding said in
8 an office action dated January 18, 2006, at page
9 15, and I quote, "The tax preparation software,
10 e.g., MacInTax, can electronically connect to
11 and download relevant financial information from
12 a bank via a home accounting program, e.g.,
13 Dollars & Sense. This downloaded information is
14 used to assist in completing one's tax return.
15 Use of software executed by a computer to
16 perform tax computations for preparing a tax
17 return is indicative of electronic and automatic
18 performance of these computations. In other
19 words, a computer is an electronic device that
20 automates such computations as opposed to
21 performing the calculations completely manually
22 by a human."

23 Simplification responded on
24 November 30, 2005 at their appeal brief for the

1 '052 patent and on August 22, 2006, their appeal
2 brief was filed for the '787 patent. On May 7,
3 2007, the oral hearing on both asserted patents
4 was conducted before the Board of Patent Appeals
5 and Interferences.

6 Your Honor, at this point,
7 although I'm sure the Court is well aware, we
8 think it's important for the record to put in a
9 little bit of law on the issue of prosecution
10 disclaimer. The Purdue Pharma versus Endo
11 Pharms case, a patentee may limit the meaning of
12 a claim term by making a clear and unmistakable
13 disavowal of scope during the prosecution.

14 And then the Dell case we
15 mentioned earlier. I quote, "A patentee could
16 do so, for example, by clearly characterizing
17 the invention in a way to try to overcome
18 rejections based on prior art."

19 And then we have the Omega
20 Engineering versus Raytek case. And I quote,
21 "As a basic principle of claim interpretation,
22 prosecution disclaimer promotes the public
23 notice function of the intrinsic evidence and
24 protects the public's reliance on definitive

1 statements made during prosecution."

2 So prosecution disclaimer does not
3 depend on whether an applicant distinguishes
4 their invention in multiple ways. A disavowal
5 if clear and unambiguous can lie in a single
6 distinction among many. And for that you can
7 see the Andersen versus Fiber Composites.

8 Also in Norian versus Stryker,
9 there is a quote, "We have not allowed patentees
10 to assert that claims should be interpreted as
11 if they had surrendered only what they had to."

12 In the Laitram versus Morehouse
13 case, Moreover, the fact that the USPTO does not
14 rely on the distinction does not erase an
15 applicant's clear disavowal of the claim scope
16 taken out of that case.

17 Simplification asserts that
18 collecting electronically requires no manual
19 input in its appeal briefs. This is a section
20 taken out of their appeals brief where they're
21 talking about the Beamer reference. And I
22 quote. "To move the data from the text file
23 into the locations on the MacInTax electronic
24 tax form, Beamer teaches that the taxpayer must

1 manually select the data -- and they underline
2 the words "manually select" -- continuing -- the
3 data from the Dollars & Sense year-end financial
4 report (which was converted into ASCII text by
5 the MacInTax Converter) and manually point --
6 again, the "manually point" are in bold and
7 underlined -- to where the data should be
8 entered on the MacInTax electronic tax form.

9 Beamer -- excuse me, there is a
10 reference to Beamer, and then it continues, all
11 of this manual input, again, manual input is
12 underlined, must be done by the taxpayer prior
13 to the MacInTax software performing any tax
14 computations for preparing a tax return.

15 Hence, Beamer fails to teach that
16 tax data collected electronically is not
17 manually entered onto the electronic tax return
18 and into the taxpayer's computer. Thus, Beamer
19 fails to teach "means for collecting
20 electronically tax data from said tax data
21 provider", and/or the method step of "collecting
22 electronically tax data from said tax data from
23 said tax data provider."

24 And that ends our quote from that

1 appeals brief.

2 So a representative claim taken
3 out of the '787 patent is Claim 10 and you can
4 see where we've highlighted connecting
5 electronically in the first claim element. In
6 the next claim element, go ahead, again, taking
7 their comments made in the reply brief, they
8 once again say that Beamer fails to teach or
9 suggest collecting electronically tax data from
10 the tax data provider.

11 I'm quoting from Simplification's
12 '787 reply brief. "The automatic step of/means
13 for collecting electronically tax data from said
14 tax data provider."

15 And then down below it refers to,
16 Beamer, however, teaches that manual input --
17 and once again, it's underlined -- manual input
18 must be done by the taxpayer prior to the
19 MacInTax software performing any tax
20 computations for preparing a tax return, which
21 is distinguishable from the automatic step
22 recited in the claims.

23 So, therefore, collecting
24 electronically, that step is automatic in our

1 view and must be performed without manual input.
2 This was argued even as to Claims 1 and 10 of
3 the '787 patent, claims that do not recite the
4 term automatic anywhere.

5 At the oral hearing in
6 distinguishing its invention over the prior art
7 of record, Simplification made two key
8 admissions. One, that electronically equals no
9 manual input. And two, after step 11, if there
10 is any manual input, it's not covered by the
11 claims and it does not anticipate the claims.

12 Simplification specifically
13 disclaimed any manual input for the term
14 electronically at the hearing. Mr. Sartori was
15 asked, or excuse me, commented, and I quote,
16 "And there are two reasons that I said
17 previously that the Beamer article does not
18 teach it. One is they're connecting
19 electronically. And yes, we are saying
20 electronically means that there's no manual
21 input. You have to -- we're saying you need to
22 read it in light of the specification?

23 At another place, Simplification
24 specifically disclaimed all manual input outside

1 of initiation. Mr. Sartori said at the hearing
2 and I quote, "That is manual intervention. And
3 that has to do with step 11, which is the manual
4 step required to initiate it, to initiate the
5 automatic process. That's taken from column 5,
6 line 45, what you've been focusing on, sir, Your
7 Honor. And that has to do with step 11, which
8 is the manual stuff."

9 Judge Lee said, "I see. So you're
10 allocating all of these manual input to the
11 category of initiating the process."

12 Mr. Sartori, "Yes, yes."

13 Judge Lee, "If there's any manual
14 input outside of initiation, then it's not
15 covered by the claim."

16 Mr. Sartori, "It's not covered by
17 the claim and it does not anticipate the claim."

18 So with all of this backdrop, we
19 have a section taken out of the chart which is
20 their Figure 1, Claim 11 -- excuse me, step 11
21 is the unclaimed manual initiation step and then
22 you see steps 12, 13 and 14. Step 12 they're
23 connecting electronically to a tax data
24 provider. They're connecting electronically the

1 tax data from a tax data provider. In step 13
2 we're processing that tax data they provided.
3 And then in step 14 they're preparing
4 electronically an electronic tax return using
5 the processed tax data.

6 And we've highlighted on the left
7 there that's our addition in step 12, 13 and 14
8 that there is no manual input allowed, there is
9 no manual input even discussed with respect to
10 those steps in the patent.

11 Your Honor, we found a case, it's
12 a relatively recent case which we think is
13 directly on point here, this is Ormco,
14 O-R-M-C-O, versus Align Tech, or Align
15 Technologies. Similar kind of fact pattern in
16 the sense that there was a lot of discussion in
17 the patent about this software program being
18 fully automatic. It was an orthodontics
19 invention where an orthodontist would start this
20 program, and it would provide the optimum
21 finished positioning for the teeth of the person
22 who the orthodontist was working on.

23 And the Court said in there, and I
24 quote, From the beginning of the common

1 specification of the Ormco patents, it is clear
2 that the inventor's primary basis for
3 distinguishing their invention was its high
4 level of automation and the design of custom
5 orthodontic appliances as compared to the prior
6 art.

7 Continuing in that same case, the
8 Ormco case, the Court is quoted as saying we are
9 mindful of the prosecution that we must not
10 incorporate into the claims limitations only
11 found in the specification.

12 We are not doing the here, nor did
13 the district court. We are interpreting the
14 claims in light of the specification. The
15 situation here involves specifications that in
16 all respects tell us what the claims mean
17 buttressed by statements made during prosecution
18 in order to overcome a rejection over prior art.
19 Accordingly to attribute to the claims a meaning
20 broader than any indicated in the patent and
21 their prosecution history would be to ignore the
22 totality of the facts of the case and exalt
23 slogans over real meaning.

24 Simplification's arguments in our

1 view, Your Honor, you are unavailing. First,
2 the clear disavowal in the prosecution history
3 are not ambiguous and they weren't taken out of
4 context.

5 Second the claim term comprising
6 does not shield the patents from a clear
7 disavowal of claim scope. I think this is an
8 important point. Simplification keeps wanting
9 to come back to the word comprising saying it's
10 open ended. You know what, I agree with that.
11 The problem is when you as the inventor, when
12 you take that word and you squash it by telling
13 the Court -- excuse me, telling the patent
14 office, clear disavowal of claim scope, you can
15 overpower the word comprising which is exactly
16 what they did with their disavowals in the
17 proceedings at the patent office.

18 Third, it makes no difference
19 whether the board relied on the arguments or
20 not, surrendered claim scope is still
21 surrendered claim scope. Once surrendered, they
22 can't recapture it. Frankly the term
23 electronically cannot mean one thing in one
24 claim step and another thing in another claim

1 step. It has to have the same meaning
2 throughout.

3 Then we get to the means plus
4 function claims and that we are arguing do not
5 possess sufficient structure to meet the
6 requirements of 112, paragraph 6 of the code.
7 We think the Aristocrat case, very recent case
8 out of the Federal Circuit decided just several
9 weeks ago says, and I quote, the point of the
10 requirement that the patentee disclose
11 particular structure in the specification and
12 that the scope of the patent claims be limited
13 to that structure and its equivalents is to
14 avoid pure functional claiming. Close quote.

15 For a computer implemented means
16 plus function step, the Federal Circuit has
17 repeatedly held there must be an algorithm. It
18 must be disclosed to meet the requirements.
19 Simplification failed to show and cannot show a
20 single algorithm for carrying out the claimed
21 functions in the specification. The limited
22 structure cited by Simplification is not an
23 algorithm.

24 Here is an example in step 14 of

1 Figure 1, means for preparing electronically is
2 defined entirely by box 14 according to
3 Simplification.

4 Well, in that little box with no
5 meat on it, they're trying to say everything we
6 need to know to satisfy 112, paragraph 6, we
7 disagree with that.

8 You can see here is a
9 representative claim, this is Claim 1 of the
10 '787, the fourth element of that claim refers to
11 the means for preparing electronically, an
12 electronic tax return. If you look in the prior
13 -- if you look in the prior element, means for
14 processing electronically, and then the prior
15 element to that, element two of that claim,
16 Claim 1 of the '787, means for collecting
17 electronically, and then the first point means
18 for connecting electronically, these are all
19 functional statements, and they have little if
20 any structural support that we can find in the
21 patent.

22 In Figure 2, they point to Box 21
23 of that figure, but it does not provide the
24 needed algorithm. It's even less helpful than

1 Figure 1.

2 Here is the chart of the relative
3 claim terms which I won't go through. We'll
4 skip through this.

5 And, Your Honor, what I want to
6 say with respect to the means plus function
7 claims is to ask the Court to consider this.
8 Why does the CAFC want an algorithm in the
9 claims? Why is that important? And what must
10 it talk about?

11 And as I was listening to
12 Simplification's arguments earlier today, I
13 thought of the following things that are not
14 answered by their patents. And it's very
15 frustrating that it's not in there anywhere.

16 Take, for example, means for
17 connecting. And we see these statements that
18 well, it could be a modem, it could be this, it
19 could be that. Where is the algorithm or
20 instructions for connecting to the tax data
21 providers who are left to believe that this is
22 just a piece of cake, that there is nothing
23 complicated to it.

24 Here is some specific questions

1 that aren't answered by the patent. In what
2 format do you connect? Are we all to believe
3 that everyone in the world runs the same format?
4 Of course they don't.

5 What network platform are you
6 going to use? There are no instructions in this
7 patent telling us what platform they are going
8 to use to go out and get the data.

9 The tax data providers will be
10 using their own internal network systems. If we
11 go to your employer, if we go to your bank,
12 they're going to have their own internal network
13 systems. They're likely to be very different
14 from the next business down the street and the
15 next business down the street.

16 How does the system of
17 Simplification's patents manage that problem?
18 There is no algorithm given for how they're
19 going to handle that problem. But it gets worse
20 for them, and that's in the means for
21 collecting. So somehow they've managed to
22 connect to these desperate systems, and now
23 they're getting a data stream that's coming down
24 the pike. Where in this patent does it say

1 anything about how you collect that data? And
2 here is some real world problems that they have
3 that they haven't solved and it's not in the
4 patent anywhere.

5 And that is once the connections
6 are established and the data is being received,
7 where is the algorithm for putting the data in
8 the appropriate places in the form? You got a
9 tax form, you're getting the stream of data,
10 it's coming in, it's saying your mortgage
11 interest last year was X, your wages were Y,
12 your charitable deductions were Z, where does it
13 put X, Y and Z? And there is no algorithm to
14 tell us where it puts that data that's coming
15 in. We're left to kind of assume that it
16 magically found its way into the right places in
17 the tax forms.

18 There is no algorithm to show us
19 how that all works. It's complicated. Having
20 represented Block, I can tell you it's a very
21 complicated problem.

22 There is a statement made in the
23 oral hearing that was brought up today by
24 Simplification about the Purple Heart charity,

1 and that caught my eye, because the Purple Heart
2 charity was mentioned at the oral hearing as
3 though you could go out and get your charitable
4 deductions, you could get that manually, you
5 wouldn't have to get that necessarily fully
6 electronically, fully automatically. But it's
7 interesting that that was said at the oral
8 hearing because at column four, lines 65 over to
9 the top of column five of the patents, and I'm
10 reasonably sure it's exactly the same in both
11 patents because the specifications are the same
12 in both patents, it says, for example, the
13 taxpayer could be asked about whether the
14 taxpayer has donated money or other items to
15 charity, i.e., Purple Heart. That's my comment
16 about Purple Heart. Purple Heart is not
17 mentioned in here.

18 And I continue the quote. If the
19 taxpayer has donated the electronic intermediary
20 then notes that these charities need to be
21 electronically contacted for collection of tax
22 data, so the patent says one thing and at the
23 oral hearing there was something else said.

24 The patent says if you want your

1 charitable deductions, you go out electronically
2 and get those. But at the oral hearing, they
3 said you can contact Purple Heart and if they
4 can't get it to you electronically, you can put
5 it in manually. But nowhere is that found in
6 the patent. It's just not in the patent
7 anywhere.

8 So with comments made at the oral
9 hearing which we think are very clear,
10 unambiguous, disavowal of claim scope, when you
11 look at the prior art, where the prior art was,
12 you look at how some automation was already
13 there, you look at how manual inputting was
14 already there, and how does Simplification get a
15 patent here?

16 The only way they could get the
17 patent to get around Beamer, to get around
18 TurboTax, to get around all those products that
19 were out there before, the only way they could
20 do it is to say we're fully automated, we did
21 the whole thing in a fully automated fashion.

22 So starting with the very first
23 words of the title of their patent, fully
24 automated, we think this Court needs to hold

1 them, Your Honor, to what they said all through
2 the process which was full automation, and
3 except for one reference to a Purple Heart
4 charity in an oral hearing that doesn't comport
5 with what the patent says, other than that one
6 tiny mention, there is no mention anywhere that
7 once you set this thing up that there is any
8 manual intervention, it's all automatic from
9 that point.

10 Thank you, Your Honor. We
11 appreciate your attention.

12 THE COURT: Let me ask you a
13 question. And I didn't want to interrupt you, I
14 wanted you to get through the full presentation.

15 When I was reading your papers, I
16 understand the fully automated argument, and I
17 know that you want to stay away from claim
18 interpretation becoming or being done in the
19 context of infringement, infringing, but I can't
20 help but when I listened to you today and when I
21 was reading your brief to think about that, and
22 like schedules and, you know, your typical tax
23 documents that you prepare, and then the
24 integration with required information.

1 You believe it's possible to have
2 a fully automated program.

3 MR. STANDLEY: In the future, yes,
4 I do believe that will happen.

5 THE COURT: And that's what I
6 think you were saying. But do you think there
7 is one today?

8 MR. STANDLEY: We know of none.

9 THE COURT: And --

10 MR. STANDLEY: It's an extremely
11 complex problem, Your Honor. We have tried at
12 Block, Block has tried to do this, has failed.
13 It's a very complicated problem.

14 THE COURT: Just give me a little
15 more about that so I have an understanding, like
16 -- and I know you have tried already to give me
17 some explanation, but what would you say in the
18 integration of the -- let's say a person or
19 small business's financial information and other
20 necessary information against the required
21 information by the government, is the biggest
22 problem. Do you understand what I'm saying?

23 MR. STANDLEY: I think you're
24 saying, Your Honor, that what we may keep in our

1 own personal finances that doesn't exactly
2 equate to what the IRS requires us to put on the
3 tax form.

4 THE COURT: Yes.

5 MR. STANDLEY: You're right, we
6 don't typically keep our daily lives organized
7 like a form 1040, and how it requires us to
8 input tax data. But that's -- that is an issue,
9 sure, but it's one of actually probably one of
10 the more minor issues.

11 There are serious problems with
12 connecting to bank networks, with connecting to
13 state and local taxing authority networks,
14 connecting to a charity and their network, just
15 think of those three alone. Every door that you
16 knock on, they have a different system. It's
17 mind boggling how you get this stuff, this data
18 to be able to -- how you get your system, one
19 single system, a tax intermediary, how you get
20 it to talk to dozen if not hundreds of different
21 suppliers running different systems. That's the
22 first problem.

23 The second problem is assume you
24 can pull that off, which you may be able to pull

1 it off on a very, very small level, small basis,
2 maybe one or two here and there that you can
3 sweet talk into allowing you into their facility
4 to try to see their code and see if it works,
5 but let's say you can do that with a few, now
6 you have got a problem, once the data is coming
7 down the pipeline, what do you do with that
8 data? That's the next problem. You have got to
9 import that somehow into a tax return, not as
10 easy as one might think how that's done.

11 Certainly we have instances out
12 there where some things like that maybe have
13 occurred, but when you're talking about a tax
14 form and you're talking about no errors, because
15 you can get into a lot of legal troubles if
16 there are errors in that tax return, it's an
17 extremely complex problem.

18 THE COURT: I'm trying to stay
19 away from infringing, but tell me what it is
20 that -- tell me the extent that Block is able to
21 prepare an automated return.

22 MR. STANDLEY: Well, we have never
23 succeeded at it in this sense. What we have
24 been able to do is we have been able to make a

1 connection to certain W-2 providers, I don't
2 have the exact number, Your Honor, but I'm
3 almost certain it's less than ten, and on a
4 trial basis, which went on for a few years, I'm
5 not telling you anything I haven't told
6 Mr. Curtin from Simplification, for a few years
7 we tried this to get the data from just a W-2,
8 nothing more, to import into a tax form
9 automatically without any manual intervention by
10 the user. We also tried it with 1099s and
11 1098s, which I think are mortgage interest and
12 interest earned.

13 We have a few examples where we
14 were able to make the electronic connection and
15 then ran into problems with respect to getting
16 it to fill out the tax form properly.
17 Ultimately the experiment failed, we shut it
18 down.

19 But I do want to stress this, that
20 during those few years where we tried this, and
21 the Court is ultimately going to hear evidence
22 about how many times someone tried to use it and
23 how many times they were successful and how many
24 times it failed, we'll have all that before the

1 Court, but none of them ever did it the way this
2 patent, these two patents describe it in the
3 sense that not a single time were we able to
4 fully automate the process.

5 We had a vision to try to do that,
6 but it never worked. We were never able to get
7 a fully automated tax form completed. It would
8 be nice to take all people and error
9 possibilities out of doing tax returns. It
10 might make them simpler, but what we found out
11 is it's a huge problem. But even in those
12 instances where we were able to successfully get
13 someone's W-2 data imported into an electronic
14 tax return, we still had a lot of manual
15 intervention that occurred after the initiation
16 step.

17 THE COURT: All right. Thank you.
18 I appreciate it.

19 MR. CURTIN: Thank you very much,
20 Your Honor. May it please the Court, I think I
21 have just a few minutes to make a couple of
22 brief points. And also I realized Your Honor
23 after I sat back down that while I passed up
24 copies of the slides and then handed those to

1 opposing counsel as well, I had not provided the
2 Court with copies of the Elmo pages that we had
3 shown with the highlighting. And if the Court
4 would be interested in that, we can certainly
5 provide copies to you for your files and
6 opposing counsel when we're done if that's okay.

7 Well, there are a few points, Your
8 Honor, I want to address and I believe I can do
9 this relatively quickly. The first thing that
10 is important I think that struck me based on
11 Mr. Standley's presentation, Your Honor, was
12 that Block has spent an awful lot of time
13 talking about the requirement that the recited
14 claim limitations be performed automatically,
15 and we don't dispute that.

16 Block acknowledges in its
17 presentation repeatedly that those arguments
18 about electronically were made in the context of
19 Claims 1 and 10 of the '787 patent, and
20 Mr. Standley's argument for why that has to be
21 imported into all the other claims is because he
22 argues the word electronically must mean the
23 same thing in all claims.

24 Well, Your Honor, that's just not

1 so when you consider that we're talking about
2 the very special definition point that Block is
3 relying on. It was not focused on
4 electronically in and of itself, it was focused
5 on connecting electronically and collecting
6 electronically in the context of those two
7 claims, those two claim limitations.

8 So Block's argument because they
9 say it as to one you say it as to all goes
10 completely contrary to the point they're
11 completely relying on which is the patentee
12 can't adopt a special definition for a
13 particular claim term for a special context to
14 justify the claim meaning.

15 In that respect the context of
16 what we're talking about there is critical.

17 Now, there are a couple of points
18 I want to mention to Your Honor, and I'm going
19 to use the Elmo to illustrate.

20 The first point, Your Honor, is
21 Mr. Standley spends a considerable amount of
22 time in his presentation poo-pooing figures one
23 and two of the patents, which are what he calls
24 stick figures.

1 Well, that may very well be what
2 Mr. Standley calls them, but what they're called
3 are flow charts. They're called diagrams.
4 They're the diagrams that are standard in
5 describing software programs. If you look to a
6 patent that talks about software, if you look to
7 a patent that has computer information, you're
8 going to find diagrams, you're going to find
9 flow charts. And for one of ordinary skill in
10 the art, of course they are not highly detailed.
11 The law does not require that you set forth the
12 source code, but at the same time it puts the
13 meat on the bone in the sense that it lays out
14 the steps that the software is to follow.

15 And these are amplified, Your
16 Honor, these individual boxes that say collect
17 tax data, process tax data, prepare tax data are
18 amplified by the description and steps
19 Simplification has spent considerable time on,
20 and it is certainly just not the case that as
21 Mr. Standley said, that we're relying on say box
22 14, prepare electronic tax returns. In fact, I
23 spent considerable time with Your Honor
24 discussing the structure in the patent that does

1 show how to do that including the fact that they
2 call out commercially available software, which
3 under the law is sufficient structure for
4 processing tax returns.

5 I also, Your Honor, I want to
6 address Mr. Standley's contention that with
7 regard to the definition to fully automated
8 point that you must construe the claims as being
9 fully automated because he says there is no
10 manual intervention described in the patent
11 after step 11.

12 Well, Your Honor, that is simply
13 not the case. And we showed that that's not the
14 case in my initial presentation. But I'll
15 emphasize a couple of points. First all, we saw
16 the preference from step 12 back to 7, it talks
17 about that they act on that to go out and
18 connect to and collect the data.

19 But most specifically, let's go
20 back to column six, but a different part of
21 column six than Mr. Standley was looking at.
22 These are cites, Your Honor, that I gave you in
23 my earlier presentation. I want to cull out
24 this language for you. Mr. Standley says, of

1 course, after step 11 there is no manual
2 intervention described. Here we are. In step
3 13, the electronic intermediary processes the
4 tax data obtained electronically from the fact
5 data provided in step 12. In the present
6 invention, step 13 can be implemented using a
7 computer program similar to the computer
8 programs currently available in the marketplace
9 such as TurboTax which is a registered trademark
10 of Intuit, Inc.

11 And it goes on, Your Honor. Then
12 let's go down a little bit, a little farther
13 down the column, this is all in column six of
14 the patent, particularly I'm reading -- I was
15 reading column six lines 33 to 36, and now at
16 column six lines 54 to 56.

17 Similar to step 13, step 14 can be
18 implemented using current technology. The
19 reference back to TurboTax. That structure,
20 Your Honor, that structure under the law, that's
21 a commercially available product. That tells
22 you what you need to do. It points the person
23 of skill in the art what they need to do to
24 perform that step. And as I showed Your Honor

1 in great detail, that 1997 technology, that
2 TurboTax software, for example, was not a fully
3 automated piece of software, that step is not
4 fully automated.

5 Processing and preparing are not
6 fully automated given those references certainly
7 and that's clear from that description of the
8 specification. Manual intervention throughout,
9 the program responds to that manual intervention
10 by automatically processing and automatically
11 preparing the tax return, but it is simply not
12 fully automated.

13 And let's turn back to a passage
14 of the specification that Mr. Standley culled
15 out on one of his slides, talking about what
16 this invention was intended to do. And he talks
17 about how it says the invention eliminates the
18 current requirement, but let's look at that
19 language a little more closely. Hence with the
20 electronic collection of tax data as in step 12,
21 the invention eliminates the current requirement
22 that a taxpayer manually collect the tax data,
23 not all tax data, it's the tax data, the tax
24 data that is capable of being electronically

1 collected under step 12 which as I described to
2 Your Honor, nothing in the patent suggest that
3 all the tax data in the world is available and
4 capable of being collected electronically.

5 It eliminates the current
6 requirement that the taxpayer manually enter
7 such tax data to a tax return or into a
8 computer, there you go. Again, such tax data,
9 the tax data that was collected electronically.
10 It is not saying that it's all the tax data you
11 will need to do your tax return, necessarily.

12 For a person with a simple return
13 who just needs a W-2, probably all of it is
14 available electronically to be gathered. For
15 many taxpayers it will not be. The patent
16 recognizes that.

17 That is also supported, Your
18 Honor, by the structure of the claims
19 themselves. I beg the Court's indulgence for a
20 moment, I seem to have lost the claims.

21 Let's look at Claim 1 of the '052
22 patent, Your Honor, and this is in column eight
23 of the patent. And it talks about the method
24 and this is, of course, the actual language of

1 the claims that define the invention. A method
2 for automatic tax reporting by an electronic
3 intermediary comprising, connecting
4 electronically said electronic intermediary to a
5 tax data provider. One or more is what A means
6 under the patent law.

7 Collecting electronically tax
8 data, again not all tax data, from said tax data
9 provider, processing electronically said tax
10 data collected electronically from said tax data
11 provider to obtain processed tax data.

12 Again, you're electronically
13 processing the tax data that you collected from
14 the tax data provider. It does not say all the
15 tax data necessary for the return.

16 Preparing electronically an
17 electronic tax return using said processed tax
18 data, which ties back to said collected tax
19 data. There is nothing in the structure of the
20 claims, Your Honor, that requires that all the
21 tax data used to prepare the tax return be
22 collected electronically according to the
23 recited -- according to the recited steps, just
24 that one or more pieces of tax data be collected

1 electronically and handled according to the
2 steps set forth in order to satisfy the
3 limitations of the claim.

4 And that actually, Your Honor, is
5 not inconsistent with another point I wanted to
6 address that Mr. Standley made regarding I think
7 the only passage Mr. Standley pulled up from the
8 hearing transcript that I had not already
9 discussed with Your Honor. It comes at page 30.

10 If there is any manual input
11 outside of initiation, then it's not covered by
12 the claim. Mr. Sartori, it's not covered by the
13 claim and it does not anticipate the claim.

14 Mr. Standley uses that to argue on
15 a process basis that after -- that this response
16 should be used to say a process basis,
17 Simplification is saying from the start of the
18 process forward there can be no manual
19 intervention.

20 It's equally appropriate, Your
21 Honor, to say, Mr. Sartori, if there is any
22 manual input outside of initiation of the
23 particular steps of the particular function,
24 then it's not covered by the claim. Mr. Sartori

1 would agree, it's not covered by the claim. It
2 does not meet the claim limitation and it does
3 not anticipate the claim. He's talking about
4 validity points, he's focusing on what the prior
5 art has shown.

6 And you have to at least of course
7 consider this statement in context with a
8 statement we showed you earlier, which is
9 expressly to the contrary of Block's
10 interpretation. Judge Moore plainly ask the
11 question. So you read these claims as excluding
12 all manual data entries?

13 No, it doesn't for the fact that
14 it's comprising, so it's open ended.

15 Even if you construe that part of
16 Claim 30 in the way -- pardon, that part of page
17 30 in the way that Block urges, Your Honor, and
18 we submit there are certainly other reasonable
19 interpretations, given that view of the
20 transcript as a whole, it runs flatly head on in
21 what was said on Claim 8. It's a wash, because
22 it's not as if that was a concession that was
23 necessary in the prior art, in fact this is
24 important for you to consider in the context of

1 -- I mean, I guess Block's interpretation is not
2 necessary for Simplification to have won
3 issuance over the prior art.

4 And Mr. Standley is certainly
5 correct that disavowal, the board doesn't have
6 to have relied on it, but it's worth noting in
7 the context of briefs in which Simplification
8 has said that we were clinging to these
9 interpretations, and Block has said we are
10 clinging to these interpretations like a life
11 boat, that these issues never appeared in the
12 decision of the board.

13 The board doesn't analyze
14 automatic, the board doesn't analyze
15 electronically. The decision of the board that
16 allowed these patents to issue over the prior
17 art hinges on the definition of the tax data.
18 They say that Beamer and the other references do
19 not disclose the collection of tax data. So
20 that was the issue. And that's worth noting to
21 kind of better get the flavor of the issue.

22 And one other point, Your Honor, I
23 would like to also hit the Ormco case now if we
24 could. I have some slides here. Mr. Standley

1 talked about Ormco to a considerable extent.

2 In Ormco, the Federal Circuit
3 found that statements in the specification and
4 prosecution history limited the claims to prior
5 automatic positioning without manual
6 intervention after the process was started. And
7 that is correct. But Block's reliance on Ormco
8 is misplaced because here is a quote from Ormco
9 that the Federal Circuit found important.
10 Nowhere does the specification suggest or even
11 allow for human adjustment of the
12 computer-calculated tooth finish positions.

13 Next slide, please. By contrast,
14 Your Honor, Simplification's statements in the
15 specification emphasize, for example, that
16 software incorporating some manual intervention
17 and manual entry falls within the scope of the
18 patent. And also substantially hits the all tax
19 data and virtually all hard copies language that
20 I showed you. Therefore, Simplification's
21 patents and the specification in
22 Simplification's patents tell a different story
23 than the specification of the patents issued at
24 Ormco.

1 So again, this Ormco case will not
2 bear the weight that Block assigns it.

3 One last point, Your Honor. And I
4 wanted to address the issues Mr. Standley raised
5 about the means plus functions claims. And I
6 hit this already to some extent.

7 Mr. Standley says there is just no
8 structure disclosed in the specification. And
9 that is simply not so. As I have shown before,
10 the specification makes it clear that the steps
11 in the process are not all fully automated,
12 calling out commercially available software
13 including TurboTax, in that same context that
14 calls out structure, that calls out structure
15 for preparing and for the processing steps, the
16 disclosure of the IRS E-filing in addition to
17 TurboTax calls out structure for the filing
18 steps.

19 And for collecting and connecting
20 electronically, Your Honor, the specification
21 sets out a step wise process for what needs to
22 be done.

23 Now, Mr. Standley says, well,
24 there are a lots of problems still, a lot of

1 details that aren't addressed by these patents,
2 and that's certainly true. And those details
3 are important to the commercial implementation
4 of the product. And while this is as you said,
5 Your Honor, we're not talking about commercial
6 embodiments here, we're not talking about the
7 accused product, it's not necessarily relevant
8 to claim construction. Block did have terrible
9 trouble trying to do this, but contrary to what
10 Mr. Standley said, to the extent this may be
11 relevant to the Court's understanding of the
12 environment, what he calls a trial program, we
13 call -- we seem to see from the documents we can
14 decipher on a large number of commercial sales
15 and the documents to the extent we can decipher
16 them show that there were hundreds of thousands
17 of downloaded, tens of hundreds of thousands
18 that were successful. To the extent we can
19 tell, to the extent we can decipher Block's
20 documents, we are going to have depositions on
21 that relatively soon to figure that out. But
22 the law simply does not require that the patent
23 disclosed every single, every single detail
24 necessary for implementation, so these details

1 are important to commercial implementation of
2 it, but you don't have to hit every step in the
3 algorithm and that is clear. In fact, there is
4 no way a patentee could know what CitiBank would
5 require for format or what Fidelity would
6 require or what Block would require, that is
7 just not realistic and that's not the law.

8 In fact, the specifications of the
9 Miller patents present far more detail than the
10 patents that were at issue and that were found
11 to be invalid in the Aristocrat and Harris case.

12 In the Aristocrat case, for
13 example, Your Honor, there was an improvement
14 for slot machines and a specification to look at
15 the opinion, the specification essentially said
16 a computer will do this, a particular feature,
17 and that's it.

18 So that's a very different
19 situation, again, than what we're facing here
20 with Simplification and with these patents.

21 And with that, Your Honor, I will
22 make one more -- one final point. With the
23 definition of automatic, Your Honor, and the
24 parties' proposed constructions, it seems to me

1 that the parties agree on some of the language,
2 no manual intervention after initiation, the
3 question is where you draw the line.

4 The -- and Block attempts to draw
5 the line with a fully automated definition that
6 requires that the taxpayer enter his name and
7 enter some identifying information at the very
8 beginning of the process, hit a button and then
9 lean back in his chair and he doesn't have to do
10 anything until the tax refund check hits his
11 bank account.

12 Well, Your Honor, that is not what
13 is claimed in these patents. That is not what
14 is described in the specification. That may be
15 fully automated, but that is not automatic.

16 And that is also a process, Your
17 Honor, that as Mr. Standley implicitly
18 acknowledged was not available in 1997 and was
19 not performed by the software that the
20 specification calls out. It's not in the patent
21 record, it's not required and it's not
22 consistent with either reality or with the
23 patents in this case.

24 Thank you, Your Honor.

1 THE COURT: All right. Let me ask
2 you a question. Actually I don't remember doing
3 a tax return, I think my wife has always done
4 them, but I have watched the process. And she
5 gets in an office and tons of information is
6 spread out, and then there is a sheet of paper
7 that the accountant has her fill out, just about
8 what information is there.

9 And then she starts putting it on
10 some sort of a disk that the accountant gave
11 her. Is that when it's supposed to kick in as
12 automatic?

13 Well, give me your best estimate
14 of when all the stuff that wasn't available
15 already on the monthly P & Ls becomes automatic.

16 MR. CURTIN: Very well, Your
17 Honor. Just one moment. Let me get the patent
18 claim.

19 THE COURT: If it's not fully
20 automated.

21 MR. CURTIN: Your Honor, to the
22 extent I understand the question, I mean, is
23 your question, Your Honor, whether or not what
24 you're describing --

1 THE COURT: Here is my question,
2 make it even simpler. I'm trying to stay away
3 from infringement analysis, but I'm trying to
4 understand automatic on your side of the case.

5 I see people tweaking the
6 documents, the data, and the end result product
7 going to the government throughout the process.
8 You're telling me that there is this striking
9 point when it becomes automatic. I'm trying to
10 get some general idea when what you're calling
11 automatic kicks in.

12 Your friends on the other side
13 say, listen, you tried to invent something that
14 was fully automatic and it doesn't really exist,
15 but that's what you are describing that the tax
16 data is supposedly electronically available
17 kicked you in, that contradicts the idea of
18 sitting in this room with all these papers
19 around you, but you seem to have an idea of when
20 automatic begins.

21 MR. CURTIN: Yes, Your Honor. And
22 I think first of all in answering your question,
23 it's important to understand --

24 THE COURT: I'm only talking about

1 tax data.

2 MR. CURTIN: With tax data. Well,
3 tax data is defined in the patent as being
4 information that is relevant to determining your
5 tax liability, and they have examples like W-2
6 data, the information on our 1099s, the
7 information on your 1098s, those are all
8 examples given in the patent, and being examples
9 of the sort of tax data that could be made
10 available electronically and collected
11 electronically from the various tax data
12 providers, such as the IRS and banks.

13 An accountant sitting down with
14 the taxpayer figuring out what all the data is,
15 you know, like boiling down the bank statements,
16 boiling down all the stuff, as you say, tweaking
17 the figures, that's not recited in the steps of
18 the patent, that is sort of -- that's
19 preliminary. That's figuring out other
20 information in a much more complex situation
21 that may or may not ever ultimately end up being
22 within the scope of these claims.

23 Because to get within the scope of
24 these claims, Your Honor, it's automatic tax

1 reporting by an electronic intermediary. In
2 other words, by a computer. I don't want to
3 limit that too much, but that's an example. And
4 I think a data processing network comprising a
5 computer, when you sit down to the computer and
6 it says connecting electronically said
7 electronic intermediary to a tax data provider,
8 I'll put this up on the Elmo, what the heck.

9 Connecting electronically said
10 electronic intermediary to said tax data
11 provider, that's one of the functions, that's
12 one of the recited steps in the claims, Your
13 Honor. And Simplification acknowledges as they
14 said to the Board of Patent Appeals, and as we
15 said in our briefs, that those recited steps
16 individually, those functions must each be
17 performed automatically after initiation.

18 So you enter in your data, your
19 information, you sit down at your computer, you
20 enter in your information, you hit the button
21 and the computer goes out to connect
22 electronically with the tax data provider, say
23 the IRS, okay, you have hit the button, you have
24 initiated that step, and then that's when the

1 automatic kicks in. Like the dishwasher that
2 operates after you push the button, like the ATM
3 that give us your account balance and that says
4 yes, I want it, it goes out and connects,
5 automatically kicks in, because it's
6 automatically connected as part of step 12. It
7 has the information it needs and it collects
8 that data, and it does so automatically.

9 And that's Block's examples in its
10 briefs about getting an E-mail with your W-2,
11 that's why that doesn't infringe the claims,
12 because you still have to take that tax data
13 manually and type it in.

14 And then so the collecting
15 electronically step again, that step occurs
16 automatically. Again, the processing
17 electronically step, it makes computations with
18 that collected tax data and you see this, and it
19 computes with it in response to that data, but
20 also it can be an iterative process, it ask you
21 questions and that's why the comprising language
22 is important because it don't foreclose the
23 concept of as the specification discloses, a tax
24 preparation software asking you questions, what

1 do you need, what kind of data do you have,
2 what's your tax situation, and you answer those
3 questions and you hit the button, you click the
4 mouse, and then you have given your input, you
5 have initiated it and automatic kicks in, it
6 processes electronically your responses, that's
7 the difference between automatic and fully
8 automated, because there are some intervening
9 manual steps which comprising allows for.

10 And then, you know, once the
11 programs process that tax data, it's prepared
12 electronically in an electronic tax return using
13 the data in there, and the invention, it
14 performs that automatically, and that you're not
15 telling it, you know, set up the form to look
16 this way, put this data here and here, at least
17 within the recited steps of the invention,
18 recited steps in the claim, it does that
19 automatically, but it does it in response to you
20 saying okay, give me the tax return.

21 And with the filing steps
22 similarly, Your Honor, the automatic kicks in
23 after you hit the button, you say okay, now I'm
24 filing, I'm ready to file, you know, you may

1 have -- for example, you put in yes, I'm done,
2 here is the account, some of the dependent
3 claims talk about getting a refund or paying
4 your taxes and you can arrange to do that
5 electronically as well, you have to put in your
6 bank account information, you may have to input
7 that information, here is my account information
8 to --

9 THE COURT: But that doesn't
10 interfere with the trigger of automatic?

11 MR. CURTIN: That doesn't, Your
12 Honor, because after that, because you do that
13 before you hit the button to say okay file, and
14 then you have initiated that step and the filing
15 occurs, and then it's automatic because the
16 machine does it. The computer to use an example
17 does it.

18 Just like after you're dealing
19 with the automatic teller machine and it ask
20 you, as an example, of automatic versus fully
21 automated, it ask you, if it's fully automated,
22 you're not making input, you're not doing
23 things, but if it's automatic, the ATM ask you,
24 okay, what do you want? Would you like your

1 account balance? Yes. You made some input
2 there. Do you want checking or savings? Yes,
3 it gives you the balance.

4 Do you want money? Yes. And then
5 it gives you the money that you asked for. You
6 have to type in those inputs. But in each step
7 after those inputs, the machine did it
8 automatically, that's when the automatic kicks
9 in.

10 And in this patent, the automatic
11 kicks in after the initiation of every listed
12 step, every listed claim element. I'm pointing
13 specifically at Claim 1 of the '052 patent.

14 But the difference between
15 automatic which is what's claimed there and
16 fully automated which is what Block argues is
17 the comprising language that allows for
18 intervening -- so comprising is consistent with
19 automatic because it allows for -- it allows for
20 the presence of the intervening steps.

21 The automatic doesn't kick in back
22 at the very beginning where the taxpayer after
23 that can lean back in the chair and not do
24 anything more until the refund comes in, the

1 automatic kicks in -- sorry if that was a long
2 answer, Your Honor.

3 THE COURT: No, it's -- I'm just
4 wondering, so I own this house at the lake with
5 my brother-in-law, and I work for DuPont, and
6 DuPont issues me a W-2, and I don't have any
7 health care or anything like that, and I can get
8 that electronically; right?

9 MR. CURTIN: I'll assume so, Your
10 Honor, for the question.

11 THE COURT: Let's just assume for
12 the question that DuPont issues it and it kicks
13 out electronically, and it can be moved right to
14 my computer. And I don't have any major health
15 deductions. I don't have any health accounts.
16 So I'm pretty setup to push the button to send
17 it to the IRS. I'm trying to make that part
18 real simple.

19 Well, I got this house at the lake
20 with my brother-in-law and, you know, we each
21 take two weeks, we rent it, we have rental
22 income coming in, it's an old house so we do a
23 lot of repairs and we have to issue 1099s to the
24 people that come and paint it and the people

1 that do the sidewalks and the grounds and
2 everything. None of that is electronic except
3 payment out because I have a program to my
4 accountant that mirrors my account for the
5 house.

6 MR. CURTIN: I think I'm with you.

7 THE COURT: At what point am I
8 automatic under the patent?

9 MR. CURTIN: Well, there -- there
10 are a couple of different questions there, Your
11 Honor, and I'll attempt to answer them both to
12 the extent that I understand them.

13 One question is when are you
14 acting -- or when is something occurring
15 automatically as Simplification would construe
16 that term under the patent. That is different
17 from when or if whatever you happen to be doing
18 falls within the scope of the claims.

19 In terms of the meaning, purely
20 the meaning of automatic, I would say that when
21 -- you mentioned paying electronically, when you
22 hit the button --

23 THE COURT: You pay the mortgage
24 electronically, and every month you pay your

1 expenses on that lake house through an account,
2 and your accountant has already set up a program
3 that records all those payments. And, in fact,
4 at the end of the tax year is able to issue as I
5 understand it in today's world, they issue 1099s
6 for people that do work for you.

7 MR. CURTIN: Yes, Your Honor.

8 THE COURT: So it's able to do
9 that. But is that -- is that all under the
10 automatic idea of the patent?

11 MR. CURTIN: Well, Your Honor, I'm
12 not sure if any of that would necessarily fall
13 within the scope of the claims, but just to
14 focus on the automatic issue, I think what
15 you're describing, Your Honor, the answer is if
16 you're clicking buttons to make individual
17 payments like I, for example, do electronic
18 banking sometimes and I go to my account and
19 they will allow to you make payments
20 electronically from your account, you enter in
21 the information, you have already set it up with
22 who the payee is, you enter in the amount of the
23 payment and the date you want to have it paid,
24 so those are the --

1 THE COURT: You do it all by wire
2 transfer.

3 MR. CURTIN: You hit the button
4 and the bank is telling you on X date we will
5 send this much money from your account, that's
6 happening automatically after you have initiated
7 it.

8 THE COURT: And I can have a
9 program that if I put it under a certain
10 notation it will treat it as an expense on my
11 program for the end of the year.

12 MR. CURTIN: Well, then that tax
13 program is doing that automatically, Your Honor.

14 THE COURT: Does that infringe the
15 patent?

16 MR. CURTIN: Based on the
17 description you have said, Your Honor, I don't
18 think so, because the patent is focusing on
19 automatic tax reporting, not on the details of
20 individual accounting.

21 THE COURT: So then when I --
22 automatic only kicks in for purposes of
23 infringement when I push the button to send it
24 to the IRS.

1 MR. CURTIN: Well, Your Honor,
2 that depends on the claim. I mean, taking this
3 out of the context if I can, because I think
4 it's important to be clear on this, of the
5 example we're working with, the claims of the
6 '052 patent, all except Claim 20 do have a
7 filing step, so certainly to the extent -- I
8 know you're not doing an infringement analysis
9 here, but to the extent you're talking about
10 falling within the scope of the claims, yes, you
11 do have to file with the IRS to fall within
12 Claims 1 and 19. I think Claim 20 does not have
13 a filing step, that's a separate kind of claim.

14 But that -- but then what you do
15 is you have to look at each element of course to
16 see whether with regard to whatever transaction
17 we're talking about, you have connected
18 electronically your computer to the tax data
19 provider, collected tax data electronically, and
20 that's different than just your bank account
21 information, or a payment you made to a -- and
22 that's something the process actually makes
23 clear, that's different from a given payment you
24 might make to a creditor.

1 Whether it's processed
2 electronically to turn it into a tax-return, to
3 compute your liability and to prepare it
4 electronically to turn it into a tax return, all
5 those steps have to be met in order to meet the
6 requirement of the patent claims. And all those
7 steps -- so that's a little different.

8 It's not possible for me really to
9 answer the question whether what you have
10 described falls within the scope, would infringe
11 the patent or falls within the scope of the
12 patent, because you have to look at the patent
13 as a whole.

14 We don't want to fall into the
15 mistake that I think Block makes in their
16 presentation of looking at a particular claim
17 term in isolation. And that's the falsity of
18 some of their analogies and their briefing,
19 their Claim 20 scenario about the person who
20 gets a W-2 by E-mail, or their scenario about
21 the accountant using a calculator could somehow
22 infringe the claims. Just not so because the
23 fact that electronically has a certain plain
24 meaning, so it's doing that electronically in

1 the broadest sense of the term doesn't mean it
2 meets the claim language.

3 You have to connect --

4 THE COURT: I think what we're
5 saying, for instance, is when the vendor who
6 repaired the roof at the lake house transmits by
7 E-mail the statement for that work, that they
8 say that that's within the claims, I think.

9 MR. CURTIN: Well, I would certain
10 --

11 THE COURT: It's electronically
12 generated. It's a tax data collection, because
13 I'm collecting an expense item. Is that what
14 you think?

15 MR. STANDLEY: Well, Your Honor --

16 THE COURT: I don't want to
17 characterize your argument.

18 MR. STANDLEY: That's fine. Your
19 Honor, the example you gave of an E-mail coming
20 in from the man who repairs the roof, because
21 it's in the form of an E-mail, the person
22 preparing the tax return is going to have to
23 take it from site and input it with their
24 fingers through the keyboard into the program,

1 so we're saying that is not automatic because
2 the person is having to manually input that
3 roofer's invoice.

4 MR. CURTIN: On that point, Your
5 Honor, Simplification would agree, and that
6 actually parallels an argument that was made
7 before the Board of Patent Appeals that that is
8 not being performed automatically.

9 So I believe in that particular
10 example, that is not something that -- that
11 likely is not something that itself would fall
12 within the scope of the claims.

13 MR. STANDLEY: Your Honor, I do
14 believe that Mr. Sartori answered your question
15 when he spoke to the Board of Patent Appeals,
16 and I believe I have an answer, if I may display
17 it.

18 THE COURT: Sure. Did you want to
19 add anything else?

20 MR. CURTIN: No, Your Honor. I'm
21 done.

22 THE COURT: All right. Thank you.

23 MR. STANDLEY: I apologize for our
24 personal mark ups.

1 THE COURT: Looks like you're
2 working that testimony there.

3 MR. STANDLEY: Judge Medley said
4 so why is that not manual? I'm quoting from the
5 Board of Patent Appeals oral hearing, continuing
6 the quote, they have to click on a mouse. They
7 have to input numbers, let's say my account
8 number. That's manual, according to what you're
9 saying is manual. Mr. Sartori on behalf of
10 Simplification responded and he said, We
11 completely agree with that. That is manual.
12 And that is step 11 in the patent. Step 11
13 talks about the manual part of it. It is the
14 engaging part. It's the initiation, the
15 starting of it. You need to tell the software
16 what your account number is, what your pass code
17 is. And then once it receives the
18 information -- and, Your Honor, this is very
19 important -- it automatically goes through not
20 one, not two, it says all the steps in the
21 process. It goes out to the tax data provider,
22 collects the tax data, processes the tax data
23 and prepares the electronic tax return.

24 Your Honor, you asked, how can you

1 prepare an electronic tax return unless you have
2 gone out and gotten all of that information your
3 wife has assembled on her table top as she's
4 doing your taxes, the scenario you describe,
5 this patent is talking about taking all that
6 paper off your wife's desk, getting rid of it
7 and going out and getting it all from the tax
8 data providers sufficient to prepare the
9 electronic tax return.

10 And we just don't know of anyone
11 doing that. But that's what's patented here.
12 That is the idea. And I think Mr. Sartori very
13 clearly states, it goes automatically through
14 all the steps in the process once you get the
15 account numbers, once you get that setup phase
16 done, then you just flip the switch and away it
17 goes.

18 MR. CURTIN: If I could, Your
19 Honor?

20 THE COURT: Sure.

21 MR. CURTIN: I want to make one
22 more point in connection with this language and
23 I don't have the highlighted or marked up
24 version like Mr. Standley does, but I think it's

1 important to also read this passage in light of
2 the rest of the patent specification, where it's
3 true here, he says, you initiate, you tell the
4 software, you give it your account number and
5 then it goes out and it connects to the tax data
6 provider, collects that tax data, processes that
7 tax data and prepares the electronic tax return.

8 But look at that in the context of
9 the specification, Your Honor. The
10 specification makes it clear that there could --
11 in fact, that's one of the diagrams that we
12 talked about, there can be many, many tax data
13 providers, so you have to do this, many tax
14 payers would have to do this again and again and
15 again.

16 This statement does not mean that
17 bingo, the tax return is prepared and it is done
18 and it is ready to be filed because that is
19 omitted, it doesn't mean the tax return is all
20 done, it means that you have -- after you tell
21 -- after you identify a tax data provider and
22 you hit the button, it reaches out
23 automatically, connects to the tax data
24 provider, collects that data back, like a

1 simplest example is a W-2 with the IRS, it
2 collects your W-2 data back, and then it takes
3 that information and it processes it like a tax
4 preparation program does. It puts it in the
5 right places and does the computations necessary
6 to help prepare the tax return, but your tax
7 return is not necessarily done.

8 And the specification makes it
9 clear, you may have to do this over and over
10 again for different tax data providers. If you
11 look at the definitions in the steps for
12 preparing the electronic tax return, they're
13 talking about a process, Your Honor, not the end
14 result. The end result comes in when you have a
15 finished tax return, whatever, and I know we're
16 disputing this, and it's getting late, I don't
17 want to misspeak, Block is talking about
18 completed tax return, but whenever the tax
19 return is ready for filing in whatever state it
20 is, then you hit the button to file. But this
21 does not mean and it does not say that after you
22 initiate the process in step 11 there is no more
23 manual intervention.

24 See, automatically goes through

1 the steps in the process. The individual -- and
2 we have already said that those steps, the
3 recited steps in the claims must be performed
4 automatically. That does not preclude the
5 possibility of all -- any kind of manual
6 intervention. It doesn't preclude the need to
7 circle back and do it again. It doesn't
8 preclude the possibility of intervening steps or
9 for all the reasons we talked about today,
10 column six the references to --

11 THE COURT: When I read your
12 papers and looked at this, I understood clearly
13 your argument in the context of what I'll call a
14 W-2 filer. Block raised this testimony in some
15 arguments about -- that puts in your mind folks
16 that aren't necessarily schedule filers, but in
17 any given year of a tax year might be an
18 enhanced W-2 filer.

19 And then when you go to the
20 specifications and you try to read them with
21 that kind of an understanding as opposed to the
22 W-2 filer, that's when you start to have a
23 little difficulty in both your arguments, fully
24 automated and automatic, and the concept of

1 electronically.

2 But you have been helpful in
3 answering the questions and your arguments
4 today. And a lot of people saying just give us
5 ten percent of what you made, we would all be
6 out of business here.

7 MR. CURTIN: That's true, Your
8 Honor.

9 THE COURT: Isn't that the flat
10 tax, ten percent, or fifteen percent. But I
11 appreciate your arguments. You have been
12 helpful.

13 MR. CURTIN: Thank you, Your
14 Honor.

15 THE COURT: Thank you.

16 MR. STANDLEY: Thank you.

17 MR. CURTIN: Your Honor, if I
18 could, one question on another issue if I may.
19 If it would be possible for the Court to clarify
20 for my understanding, because I am not Delaware
21 counsel, the Court's policy or practice
22 regarding depositions, party depositions. Is it
23 the case that in the absence of agreement
24 between the parties otherwise, is it typically

1 held in the forum or do you normally do things
2 differently?

3 THE COURT: If there is a dispute,
4 it would typically be the practice to tell them
5 to hold it in the jurisdiction here.

6 MR. CURTIN: Thank you, Your
7 Honor.

8 THE COURT: Are you having a
9 dispute?

10 MR. CURTIN: I don't know yet.

11 MR. STANDLEY: Your Honor, we have
12 an executive who is going to be giving testimony
13 and it's very difficult for him to leave Kansas
14 City. He's going to give the testimony, but we
15 would like to do these depositions in Kansas
16 City. And I have been doing this for twenty
17 years and the parties always tend to agree that
18 his depositions will be at his office and mine
19 will be at my office.

20 THE COURT: Typically that's what
21 happens between parties. You know, when you're
22 sitting on this side of the bench, if you try to
23 parse it to each case, you would have no
24 consistent theme that would be fair. So when

1 parties can't operate under the normal practice
2 of noticing, in other words, if it's in Kansas
3 City, you notice there or notice here, the only
4 rule that you can have that kind of works, if
5 you have an argument, then it's in Delaware.

6 It's not a great solution, but it
7 is consistent, one of my kid says, consistent
8 and dumb, but you know, that's all we can do.

9 MS. GRAHAM: Must be a teenager.

10 THE COURT: Exactly. But adults,
11 they're even doing it now. You know, it's hard
12 to work these out, you don't want to go to
13 Kansas City. I have been to Kansas City. They
14 have great steaks at The Stockyard.

15 MR. CURTIN: I know the food is
16 fantastic. It's something the parties are
17 continuing to discuss.

18 THE COURT: Try to work it out.
19 If not, then you got to revert to that default
20 position of Delaware.

21 MR. CURTIN: Thank you.

22 THE COURT: Thank you.

23 (Court adjourned at 5:23 p.m.)
24

1 State of Delaware)
2 New Castle County)

3
4 CERTIFICATE OF REPORTER

5
6 I, Dale C. Hawkins, Registered Merit
7 Reporter and Notary Public, do hereby certify that
8 the foregoing record is a true and accurate
transcript of my stenographic notes taken on June 5,
2008, in the above-captioned matter.

9 IN WITNESS WHEREOF, I have hereunto set my
10 hand and seal this 15th day of June, 2008, at
Wilmington.

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12 _____
Dale C. Hawkins, RMR
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